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THE EFFECT OF THE WAR IN  
SOUTHEASTERN EUROPE

ECONOMIC AND SOCIAL HISTORY  
OF THE WORLD WAR

JAMES T. SHOTWELL, PH.D., LL.D., *General Editor.*

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GENERAL SERIES

# THE EFFECT OF THE WAR IN SOUTHEASTERN EUROPE

BY  
DAVID MITRANY

D.SC., PH.D. (LONDON)

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## EDITOR'S PREFACE

NOWHERE else in Europe, except in Russia, did the World War cause such profound changes as in that stretch of valley, plain, and mountain that reaches from Vienna to Constantinople. It has become a deeply rooted myth that the Peace Treaties broke up the Hapsburg Monarchy and set going the new era of "self-determination." But the peoples of that Monarchy had broken it into nationalist parts before the Peace Conference met, before even the Armistice with Germany. The story of the progressive weakening of the central control and the final cataclysm has been told in detail in the various volumes in this History which deal with the effect of the War upon Austria-Hungary. But, owing to the very complexities of the subject, the narrative is both long and crowded with data. This volume, on the other hand, written by one who is a master of the whole field, surveys it in wide perspectives. While it will mean more to those who know what wealth of detail is passed over in the rapid sweep, it will also serve as a guide to those to whom the subject is unfamiliar. It is both a conclusion and the introduction to the volumes in the Economic and Social History of the World War that deal with South-eastern Europe, many of which were edited by Dr. Mitrany. It is also a study in its own right.

While the main theme is the history of what was once the Hapsburg Monarchy, the volume deals as well with those lands in Europe which once formed part of an even greater empire, that of the Turkish Sultans. These also bore the stress and strain of the War in ways that were decisive for the future, and the military decision was reached even earlier in that ramshackle world than on the borders of Austria. When the Allied troops broke through the mountains behind Saloniki, the traditions of semi-oriental, semi-medieval rule were no longer valid in the Balkans. The Peace Treaties registered the new era, sometimes very badly; but, so far as Europe was concerned, they did not create the basic elements of subsequent dispute. Force had been appealed to, and force, blindly and brutally in many ways, left the mark of its unintelligence on those who should have been neighbors but had become enemies. The adjustments and maladjustments of Paris sprang from the War and the disorders which it called out in the months while the negotiators were still at work. For



the War had cut more deeply into the nerve system of society than any other in history.

This much should be said in the interest of historical accuracy, without in any way entering into the controversies over the actual settlements. Both author and editor may have their critical opinion as to the wisdom of registering the post-war situation in the terms set forth in the Treaties of Peace. The charter of a new Europe calls for a longer view, a juster appreciation of continuing political forces than that supplied by immediate events, even of the magnitude of those of 1918. But when ancient loyalties no longer held, and the suppressed irritations of centuries were flaring into the most unlovely forms of nationalist animosities, it was clear that whatever settlement was made would be "wrong" in the eyes of many. Great empires cannot break up without violating long-established "rights"; and war invites not even-handed justice but the rule of the strongest. The same kind of settlement would have been made if victory had been on the other side, as the Treaty of Bucarest showed.

This volume of the *Economic and Social History of the World War* deals with these political issues, but not as a part of their diplomatic formulation at the close of the War. Its analysis carries the reader farther back, to the War itself. The decisive fact in the Danube Valley was not the grim struggle on the rim of the Alps above Venice, or that which took place when Mackensen's legions swung round the Carpathians into the rich fields of Rumania. It was the ever-tightening blockade, which made of the whole Monarchy a beleaguered city. Slowly but surely it destroyed the government by which Vienna held sway. An economic strike against bureaucracy at home, which began with the violation of food restrictions, took on a nationalist color where the German element in the population was weak. The paralysis of government was thus a direct result of the War. But the peculiar phases of this dissolution of the old framework of administration and the economic and moral consequences of the long-drawn crisis will long furnish the thoughtful student of history and politics with much substance for thought.

Dr. Mitrany, who now holds a professorial chair in the School of Economics and Politics at the Institute for Advanced Study, Princeton, New Jersey, brings to the analysis of this vast and varied theme the advantages of both intimate personal knowledge and a sense of distance—the distance at which a scholar and a student of human

affairs can look at it. Its calm is not that of detachment but of scientific interest in the unfolding of a great drama. Those of like mind and temper will be grateful to him.

This volume closes the Economic and Social History of the World War for the countries of Southeastern Europe. A full list of the volumes devoted to that section of the History is given at the close. It is to be hoped that their varied and rich contents will be found of increasing value to the student of human affairs, and will contribute their lesson of the catastrophic and blind forces which war lets loose upon the world when statesmen resort to it "as an instrument of national policy." The Hapsburg Monarchy staked all on prestige; the result upon its own peoples is set forth in these volumes.

J. T. S.



## AUTHOR'S PREFACE

THE title of this study is as approximate as the geographical limits of the region and the logical limits of the subject which it discusses. The study is placed in a definite region so that it may have tangible roots. Yet its purpose is to describe not the place but the storm that has passed over it.

Isolated aspects of the damage have been described with impressive detail by able contributors to this History. No attempt is to be made here to give a summary of the facts and figures contained in those studies. Statistics, as even Professor Bowley admits in his little book, *Some Economic Effects of the War*, are not always reliable or conclusive. In the region with which we are concerned they are not even always available. An account based on statistics would be more exact in parts, but it would of necessity be more fragmentary in outline.

Moreover, figures are wedded to the particular event. Tendencies are often discerned more clearly by overlooking the decimals. No statement, of course, is made in the following pages that does not rest upon substantial evidence of fact. But my aim has been rather to detach from facts and figures such of the general effects of the War on political and social structure as are likely to recur under the stress of similar conditions; to extract therefrom conclusions that can be accepted as valid by the student of history, but which at the same time will have meaning for the intelligent citizen of any country that may again have to face the issues of war and peace.

In other words, this study is in the nature of an essay on the effects of modern warfare on methods of government and on political relations, based on evidence supplied by the World War from the Danubian regions.

My grateful acknowledgment is due to Miss Irene M. Ebeling for undertaking the heavy task of preparing the text for the press; and to Miss Harriet J. Church for her careful work on the index.

D. M.

Kingston Blount,  
Oxford.





# CONTENTS

EDITOR'S PREFACE . . . . .	v
AUTHOR'S PREFACE . . . . .	ix

## PART I

### THE HISTORICAL PERSPECTIVE

#### CHAPTER I

<i>The Regional Background</i> . . . . .	3
Geography and Politics in the Balkans. The Eastern Question. The Brittle Nature of the Eastern Empires. The Character of the Ottoman Empire. The Character of the Hapsburg Empire. The Factor of Nationality. Dualism and Disruption. The Economic Factor.	

#### CHAPTER II

<i>The Modern Factors: Nationalism and Class</i> . . . . .	27
From Nationality to Nationalism. The Third Estate. The Fourth Estate. The Economics of Nationalism. External Conflict.	

#### CHAPTER III

<i>Decline and Fall</i> . . . . .	46
The Devil's Part.	

## PART II

### THE EFFECT OF THE WAR ON GOVERNMENT

#### CHAPTER IV

<i>Characteristic Traits of War Government: Their Origin and Evolution</i> . . . . .	57
The General Background. Extension of Executive Power. Restriction of Individual Rights. Parliaments in Eclipse. Civilian v. Military. The Retreat from Dictatorship. The Frankenstein of Power.	

CHAPTER V

<i>The Rise of Functional War Government: Its Springs and Its Structure</i> . . . . .	80
---	----

The Springs of Functional War Government. The Task. The New Problems. The Structure of Functional War Government. The Military Method. The Functional Method. A Bird's-Eye View of the Structure. The Link with the Aftermath. The Snowball Growth of War Control. Divided Authority: Civilian and Military.

CHAPTER VI

<i>The Working of Functional War Government</i> . . . . .	106
Methods of Price Control. Vagaries and Virtues of Price Control. The Conditions of Successful Control.	

CHAPTER VII

<i>A Balance Sheet of Functional War Government</i> . . . . .	118
The New Wars of Attrition. The Effect on Civic Morals. The Effects on National Allegiance. Some General Conclusions.	

CHAPTER VIII

<i>War Government in Occupied Territories</i> . . . . .	138
Conquest for Economic Exploitation. A Military "State Socialism." The Social and Economic Effects of the System.	

PART III

THE EFFECT OF THE WAR ON ECONOMIC LIFE  
AND PROGRESS

CHAPTER IX

<i>Economic Destruction</i> . . . . .	155
The Four Stages of Economic Exhaustion. Destruction through Wastage.	

## CONTENTS

xiii

### CHAPTER X

<i>Economic Dislocation</i> . . . . .	169
---------------------------------------	-----

Dislocation through War Needs. Dislocation through the Peace Treaties. Typical Effect on Means of Communication.

### CHAPTER XI

<i>Economic Obstruction</i> . . . . .	184
---------------------------------------	-----

Obstruction as a War Necessity. Obstruction as a Post-War Policy. Effect of the Peace Treaties. The Old Nationalist Feud in New Guise. The New Mercantilism.

### CHAPTER XII

<i>Economic Co-operation</i> . . . . .	206
--	-----

Economic Co-operation for War. Plans for Economic Co-operation after the War.

## PART IV

### EPILOGUE

### CHAPTER XIII

<i>The Old Problem and the New</i> . . . . .	225
--	-----

Nationality and Nationalism. Democracy and Reaction. Economic Co-operation and Division. The Lesson Ends.

## APPENDICES

I. The Serbian Exodus . . . . .	243
II. A. An Experiment in Nationalism: The Exchange of Minorities . . . . .	248
B. An Experiment in International Government: The Inter-Allied Régime in Thrace . . . . .	254
INDEX . . . . .	265



PART I  
THE HISTORICAL PERSPECTIVE





## CHAPTER I

### THE REGIONAL BACKGROUND

THE region with which this study deals forms roughly the stage on which has been played the drama discreetly known to historians as the Eastern Question. In simple practical terms it was a question of who should inherit the European possessions of the slowly but irretrievably decaying Ottoman Empire. In recent years those possessions had been confined within the Balkan Peninsula. But for reasons both of geography and of population, the political problems of the Peninsula were intertwined with those in the basin of the Middle Danube; so that the political mercury rose and fell alike in the two regions in response to the same historic pressure. This justifies in a way the seemingly wilful choice of the geographical limits within which this study is set.

No modern student could fail, indeed, to perceive the historical affinity of those regions, or indeed to note, as predestined, the bond between the Ottoman and the Hapsburg Empires. Did not the peak of Ottoman prowess in Europe—the victory at Mohàcs—give the Hapsburgs their chance to complete the building of an empire? And has not the final exit of Ottoman power from Europe fallen in the same hour as the collapse of its century-old antagonist? As long as state limits were set by the military strength or the diplomatic skill of dynasties, the shrinking of one of the two empires inevitably helped the other to expand. Had the Eastern Question been solved a hundred years ago or so, at the time of the Holy Alliance, the result, beyond doubt, would have been the sharing of the Turkish heritage between Austria-Hungary and Russia, with certain gifts for England and possibly France. But the jealousies of the Powers held up the final act, and in the meanwhile the power of decision passed from the dynasties to the peoples whom they ruled. During the last century the idea of popular government found its way also into South-eastern Europe. It arrived there belatedly, but as a consequence powerfully mated to the new sense of nationalism; and the union of the two ideas gave birth to forces which sharply changed the trend of the Eastern Question. Hence, when it was settled at last, after 1918, not only was the Turkish heritage divided up among a number

#### 4 EFFECT OF WAR IN SOUTHEASTERN EUROPE

of small and formerly disdained claimants, but they also shared among themselves the mutilated body of one of the traditional legatees as well as sundry limbs of the other.

But the end of the Eastern Question, as it made itself felt in the nineteenth century, has not disposed of the Danubian problem. The problem which statesmen have to face in this region is, in fact, 250 years old. One may say, in a general way and from a political point of view, that while modern European history is the story of the creation of national states, the story of the Danubian basin is essentially a chronicle of the failure of that process in that particular region. The Hapsburgs successfully removed the first obstacle to national consolidation by checking the advance of the Turks, but after that achievement they failed in their next—the real—task. They never succeeded in welding the various territories and peoples whom they ruled into a political society. Again, the war effort of the Allies was successful in that it broke the shackles that bound so many Danubian nations unfairly together, but their peace settlement failed to provide a new basis which would permit those nations to live peaceably side by side.

The Ottoman and Hapsburg Empires were formed during the same period which saw the birth of the great Western states in Europe. Frontiers have fluctuated as greatly in one group as in the other, but in both the centers of gravitation remained stable. If, nevertheless, the progress of the two groups has been so uneven, that is because of differences which reached to the very roots of their nature. France and England, as later Germany and Italy, consolidated compact territories settled by kindred peoples. In their case the emergent current of nationality helped, therefore, to round up these related elements and to bind them more closely. In Central and Southeastern Europe the very same current burst asunder the structure of the Danubian and Balkan Empires, which, though big and powerful, were loosely put together from odd pieces, gathered here and there—like the towers raised by the Frank invaders upon some of the Greek islands out of loose and miscellaneous blocks of marble, picked from any handy ancient buildings.

The structure of the two empires was indeed the more brittle the more it towered over the Western national states. That disjointed trend of state-building in Central and Eastern Europe was inherent

in the geographical nature of the region. The Central European tract came historically into prominence only during the Middle Ages. Ancient civilization had touched it but little. From the two ends of the mountain barrier, Massilia and Olbia—precursor of Odessa—the Greeks had made weak commercial attempts toward the center of the Continent. More enterprising, the Romans were the first to surmount the Alps. On the other side of the Danube they ruled the Rhenish mountains for a long time, as they ruled Transylvania and the Rumanian lowlands for 150 years. Only the early death of Marcus Aurelius prevented the subjugation of Bohemia. This put a stop to the Roman advance, and allowed the Germanic tribes to gather strength and throw back the Roman power and thus lay the foundations of the Central European group of states. But that effort weakened the strength of the Germanic tribes; in their turn they had to allow the Slav tribes to settle in the eastern lowlands and the Bohemian plain, while the Magyars invaded the Pannonian plain. The rivalry of the Slav and Germanic groups forms the main thread throughout the history of the Danubian basin, as indeed of the whole of Eastern Europe.

*Geography and Politics in the Balkans.*

That rivalry was not merely local, in the marches where the settlements touched upon each other. If anything it was more intense along the lines of expansion, and these were determined by the character of the other part of the region we are discussing. On a cursory view it has been customary to look upon the Balkan Peninsula as a geographical unit, as compact and well defined as the Iberian Peninsula. In truth the first presents a composite picture, with parts and features detached from neighboring systems. Unlike the Italian and Iberian Peninsulas, the Balkan Peninsula is not separated from the Continent by high mountains; rather is it linked to it through the Danube. Similarly, at its eastern end the Bosphorus and the Straits are no more than parts of a submerged valley, forming stepping stones to Asia with their lowest widths of 600 and 1,200 meters. In reality Europe stops not at Constantinople but in the steppe region before it, the city itself having little relation to the northern part of the Peninsula on which it stands. Finally, though on the western side



the channel is more formidable, yet it offers an easy passage across, with its 90 kilometers between Valona and Otranto and 135 kilometers between Valona and Brindisi.

While the Balkan Peninsula is thus closely related to and connected with the neighboring regions, it displays another contrary feature which has been politically of no less consequence. The Peninsula lacks namely a natural center of its own, round which a great state might crystallize. Its history shows plainly that the Peninsula's apparent geographical unity was not such as to favor a uniform demographic and political evolution. For though inhabited by two very able groups of peoples—the Thracians and the Illyrians—who have been the primary racial stock of all the Balkan populations, the Peninsula was never able to mold itself into a unity and play in history a great part, like the neighboring Roman Peninsula. Neither the Byzantine nor the Ottoman power found ways and means of overcoming those geographical drawbacks.

Finally, while poorly insulated from other near centers of evolution and lacking a natural center of its own, the Peninsula is further characterized by the broad diverging highways which cut through its very heart. Far from being, therefore, a well-defined unit of settlement, it forms rather a natural passage between Europe and Asia—a region of what has been aptly called lands of the overlap. Moreover, it has connected Europe with the fertile and civilized parts of Asia—Phoenicia, India, Egypt, and Arabia—whereas the northern passage through Russia linked Europe to the barren and backward steppe. This circumstance perhaps helps to explain why only barbarian hordes have crossed through Russia into Europe, while the great currents which have carved the bed of European civilization have flowed through Asia Minor and the Ægean.

The effect of these geographical features was heightened by the great river which dominates the region. The Danube is the only great European river flowing from west to east. All the others run in groups, and each group runs more or less in the same direction to the same sea. The Danube has less to do with the sea and is more cut off from sea outlets by mountain barriers than any other of the great rivers. It is a continental waterway, linking the basins of a chain of countries with each other. As a highway the Danube debouches into the two corridors which—through the Morava valley and Salonica, and through the Sofia basin and Stambul—give access



to the Eastern lands and seas. Thus the whole complex forms a system of contact and passage which has made invasion by alien peoples easy and made the fate of even small states uncertain. Population and politics bear clearly the mark of that ambiguous geographical structure. Unlike the Iberian and Italian Peninsulas, the Balkan is not the home of self-contained nationalities and states. Its peoples have always thrown kindred offshoots beyond those blurred physical boundaries, so that their interests have never lain wholly within the Peninsula. The Danube has played its part in that mingling of peoples, acting as a kind of Germanic corridor which has prevented the junction of the northern with the southern Slavs. As a consequence, within an area of some 190,000 square miles—that is, considerably less than Spain—the Balkans harbored six native races, with enclaves of a few others, three creeds, and an excommunicated Church.

All the facts of history show that the interior of the Peninsula was valued chiefly as a key to the lands beyond it. The Roman military roads and strong points bear witness to that. Already the *Via Egnatia* was but the expression of Rome's eastward bent. It led on to Armenia and Persia, running virtually west to east, with the obvious aim of putting Rome into contact with the East. Almost up to the present time roads—and later railways, like the famed Berlin-Bagdad scheme—were in the same way meant to cross the Peninsula rather than to develop it from within. Its historical significance has been, for the most part, that, since Roman times at least, it has lain athwart important world routes. Even now the main economic function of the modern routes is to link up the states of Central Europe with the Ægean and the East, with markets for industrial products and with sources of raw materials.

Geographical conditions have been in a sense nearly as step-motherly for the Hapsburg Empire. For if state-building has been made difficult by the mixture of peoples, that mixture was itself in the first instance the by-product of geography. Take a map of Europe and hold it at arm's length, so as to be able to take in the main features of the southern half of the Continent, and you will at once become aware that the Danube, with its valleys, forms a mighty corridor from west to east; and not only from the west to the east of Europe, but also from the western to the eastern continents. This becomes clearer if one disregards the river's break through the Car-

pathians at the Iron Gates and follows with one's eye what would otherwise have been its obvious course. After striking the obstacle of the mountains, the Danube would normally have skirted the Balkan range, and flowed down the valley that is now followed by the great transcontinental railway to Constantinople. As it was, neither the lands of the Hapsburg Empire nor the European possessions of the Sultans formed compact regions convenient for the shelter of a large unitary state. Both were instead strung along the corridor which has provided a passage for innumerable invasions and migrations, both eastward and westward, each movement leaving straggling remnants here and there in its wake.

*The Eastern Question.*

As empires with dynamic aims, both Turkey and Austria-Hungary were drawn toward the Balkan Peninsula by the magnetism of its two great furrows, with their contained highways. The situation was rendered more complex with the advent of a third competitor. As early as the sixteenth century increase of population and the desire for intercourse caused Russia, which was cut off from every sea, to begin the search for outlets. By the end of the seventeenth century she had turned from East to West, from Asia to Europe, and had planted herself on the Baltic and the Black Sea. The rise of Russia in the eighteenth century was perhaps the chief change in the political progress of Europe. It added a state of enormous potential strength to the European system. Moreover, for reasons similar to those at work in the Balkans, Russia was not divided from her neighbors by clear-cut geographical and ethnographical limits. On the other hand, she was connected with some of them through religious bonds, and was therefore always pressing on their eastern frontiers. The advent of Russia as a European power almost coincided with the zenith of Ottoman power. From 1672 onward Austria and Russia pressed the Turks back, and their competitive co-operation for liquidating the Sultan's European titles gave birth to the Eastern Question. After the peace of Vasvar, in 1664, Austria surrendered no more territory to the Turks but, on the contrary, repeatedly got something from them. Russia's swift conquests in Southeastern Europe at the end of the eighteenth century gave her more land than she could occupy. Colonists had to be brought from many parts;

that has left those parts with their motley national aspect and has added still more colors to the map of the region.

Thus neither geography nor, as a result, nationality, had offered a natural halting line to the advance of the two empires as long as the lands to the south were held by the declining Ottoman power. During the formative period of the three empires the belt along the lower valley of the Danube continued to be a line of division, a meeting line of the political movements from north and south, as it had been of old. Greek civilization had not penetrated beyond it, and even adventurous Rome had found the Danube belt safer as a frontier than as a province. With the Middle Ages the direction of pressure changed, but the line of pressure remained the same. The Turks in their turn had no difficulty in conquering all that lay below the Danube, but never secured a firm footing to the north of it. Europe's new civilization, the Renaissance, halted like the old on the Lower Danube. Austria-Hungary had organized along that belt a military confine, settled with Teutonic Knights and with endowed and autonomous frontier regiments, as a protection against danger from the south; and she and Russia may be said to have been secure in their power as long as they refrained from crossing that fatal valley. In short, the Danube belt has been at all times an axle of pressure and division—accepted and treated as such until recent times, when economic expansion could not resist following in the wake and picking up the straggling provinces of the retreating Ottoman Empire.

### *The Brittle Nature of the Eastern Empires.*

Largely on account of that geographical and demographic fluidity no state in the modern Western sense took shape on either side of the Danube until recently. Chaotic conditions at the end of that vague period known as the Middle Ages enabled Hapsburgs and Ottomans to build up—or rather to accumulate—two empires, out of disparate regions and peoples. Yet both empires may be said to have grown from seed accidentally dropped upon the course of Southeastern European history, rather than from the deliberate tilling of its furrows. All the main events that have marked the modern stretch of that history bear the sign of having fallen from the lap of capricious gods. Of the three empires concerned, one had some sort of purpose, in the roving dynastic ambitions of the Hapsburgs. The



springs of its progress have been shifting and personal, but at least it pursued some conscious aim, which drew it upon the Southeastern highways. The other two empires found themselves there unexpectedly and without premeditation. They were, in fact, rashly called there to clear the way for that political progress which their presence did so much to check afterward. The Osmanli Turks were first brought across the Bosphorus as mercenaries by contending claimants to the throne of Byzance. They were almost forced by the terms of their contract to camp there instead of returning to their Anatolian home between two campaigns; and their presence was openly preferred to that of the Christian "Latins." On the eve of the capture of Constantinople by the Ottomans, the first minister of the Eastern Roman Empire was heard to declare, as Gibbon avers, "that he had rather behold in Constantinople the turban of Mahomet than the Pope's tiara or a cardinal's hat." Later the Turks were welcomed also by the Balkan peoples, as restorers of the peace and order which those small peoples needed for their political consolidation.

Similarly, the Muscovite rulers first crossed the Dniester in the seventeenth century in response to the appeal of the learned Prince of Moldavia, Demetrius Cantemir—and later to the appeal of the Balkan peoples—to protect these small Christian neighbors against Turkish oppression. The agreement signed with Cantemir, as well as the evidence of contemporary writers, shows that it was a campaign for assistance and not for conquest. Neither Turks nor Russians attempted on these first occasions to impose conditions securing them rights of conquest. They were willing to go as they had come. Their political centers of gravitation lay elsewhere. If ultimately the conditions of the time and of the region caused the newcomers "half to be forced, half to succumb" into staying and ruling, they never grew deeper roots. The end of the imperial era in Southeastern Europe sees them deliberately withdrawing to the lands whence they had come at its beginning.

### *The Character of the Ottoman Empire.*

While thus geographical conditions offer a guide to the nature and growth of the Hapsburg and Ottoman Empires—with the former lands of which we are specially concerned—only a grasp of the peculiar character of the two empires can help us to a reasonable

explanation of the effects which the World War has had in the Danube basin. To begin with the simpler problem of the Ottoman Empire: that Empire issued from a chain of awkward incidents into which, at any rate at first, the Turks were indeed beguiled. Induced to cross into Europe and to encamp there, for the convenience of their Byzantine employers, the Turks very soon came in conflict with the restless local potentates. Their military pride was too great to allow them to retreat. They subdued the local chieftains, and the welcome of the sorely ill-used populations led them to assume supreme power. At first this was purely nominal. In return for protection the Turks merely claimed the customary title and a small tribute. For the rest, they maintained the form and even the position of the subject states; for while Byzance had all the pomp and instruments of power but no territory, the Osmanlis found themselves masters of a vast territory but without the men and the experience for organizing it. But the local princes were not as willing as the peoples to have a settled existence. They harassed their Ottoman suzerain until retaliation led to the overthrow of the Serbian and Bulgarian States, and to the blotting out of the Byzantine Empire. Even then two anachronistic traits proved the aloofness of the new Empire. It never carried a national or territorial title, but remained merely the heritage of Osman and the private dominion of his successors. And while the Turks were the sovereign masters, real power was exercised in their name by dignitaries raised from among the subject peoples—Greeks, Slavs, Albanians, Armenians, and Jews. Until the middle of the sixteenth century the language of official documents was first Greek and then Slav.

Even when the conquered countries were brought fully under the rule of the Porte and made into provinces of the Empire, they were never organized into a state. They continued to be governed autonomously, within their traditional limits, as detached pashalics. The provinces contributed jointly to the needs of the central power; but the central power did not contribute a joint policy or administration for the several provinces. The whole remained, in fact, a military assemblage of disparate provinces without being welded into one state; for even if the Empire's constitutional principles were general, their application was so wilful as to make in reality each provincial pasha as much a lawgiver unto himself as China's tushuns. As the provinces were governed locally with continuously shifting personnel

supplied from the center, they enjoyed neither a defined central policy nor a continuous local tradition. So anxious were the conquerors not to be burdened with the task of government that they imposed upon their new subjects the duty of governing themselves. Trading settlements in Constantinople had to undertake, through the capitulations, to make themselves wholly responsible for the government of their community. And in their wish to simplify their own task, and accustomed to identify a people with its religion, the Turks not only spared the Christian churches but sought to improve and widen their jurisdiction. The Patriarch at Constantinople received from the new pagan master powers, temporal and spiritual, over the *rum millet* far greater than any he had wielded before. Some of the elements which later hampered and disrupted the Ottoman Empire were thus created by the Turks themselves. Their treatment of the Balkan and Mediterranean provinces made them into sources of supply but hardly of strength; and it enabled them in time to fall away without serious shock to their life and government.

Still less did the Turks endeavor to create organic ties with the provinces across the Danube. During the several centuries of their domination, for instance, they neither sought converts nor settled colonists in the Rumanian provinces, nor built a single mosque upon their soil. After the withdrawal from Hungary, Turkish policy rather sought to isolate itself against danger from the north. It made the Danube the northern limit of empire, studded with strong points and guarded by military leaders as local governors. In fact the Empire had always been essentially a military organization—used at first to assist in attack during the period of advance, and then to strengthen defense when the tide had turned toward retreat. One could say indeed that the several provinces did not develop through the nerves and sinews of the State but rather in spite of them. They progressed mainly through contact with the West; and the looser the bonds of empire the freer was that contact, and the speedier therefore the advance. Rumania, for instance, progressed quicker than Serbia, Serbia quicker than Bulgaria, and Bulgaria quicker than Macedonia.

The lack of political cohesion thus went much deeper in the Ottoman than in the Hapsburg Empire. In the first it was in truth deliberate. The Osmanlis came not as a people willing to mix and absorb, but as a dynasty and a ruling military caste which used but did not



adopt its new subjects. The economic structure and life of the Ottoman Empire naturally reflected its political looseness and detachment. The discovery of the new routes to America and India was bound to throw into the shadow the old Black Sea ports and the Ægean islands which had lain and prospered along the old trade routes to Asia. But even before that, indeed immediately after their conquest, the Turks had closed the Bosphorus and the Straits and thereby ruined the prosperous trading settlements along the west coast of the Black Sea and the mouth of the Danube. As a military system, Turkish rule was not interested in trade or production, but merely in consumption. In so far as any trade with foreign products persisted it was concentrated almost wholly at Constantinople. For the rest, the old and famous Balkan routes and fairs declined, as the production of the provinces was monopolized for the needs of the army and of the residential towns. Even across the Danube the one thing on which the Turkish authorities insisted in the Rumanian provinces was a monopoly of Rumanian corn, at prices fixed by the Turks, which lasted until 1829. During the long period of Turkish domination domestic industry advanced greatly in the Balkans, but it was carried on almost wholly for local needs and mainly by the Christian inhabitants. When, later, large-scale industry began to be organized, this was done mainly by foreigners, especially by Germans.

The contrast with Austria-Hungary is telling. Her industrial progress was more rapid and intense, and the bulk of it was controlled by the dominating nationalities, Austrians and Hungarians. Equally instructive is the contrast between the growth of trade in the two empires. While it declined in the Balkans it grew rapidly north of the Danube, but there it was largely in the hands of Balkan traders—Greeks, Kutzo-Vlachs, Armenians, and Jews from Salonica. The Levant company of Greek traders, which was formed in the seventeenth century and survived until the middle of the nineteenth century, had agents in most towns of Austria-Hungary and especially in Transylvania, where it almost monopolized trade. A company of Bulgarian Catholics, protected by Austria, was trading extensively in Oltenia and the Banat toward the middle of the eighteenth century. In the Balkans the decay of trade, and later of military activity, caused the old roads to be neglected. More recently Austria-Hungary's strategical interests led her to oppose any work

that would have linked the interior with the Adriatic coast. By comparison with the rule of the old and medieval powers that of the modern powers, therefore, hampered the progress of the Peninsula. Means of communication fell into a barbarous state as compared with what they had been in Roman or medieval times. At the end of the nineteenth century even the two main trans-pensinsular roads retained only a local importance, as links between the administrative compartments which strung themselves along their course. The Serbian lands retained some contact with Central Europe, but for the rest the Balkan Peninsula was effectively closed to foreign intercourse.

*The Character of the Hapsburg Empire.*

In the case of the Hapsburg Empire geographical conditions were less disjointed, and the aim of the rulers not negative, as in the Balkans. All the more must success or failure have depended on the ability of the State to adapt itself to changing needs and trends; and the subversive effects of the War must therefore be assumed to be generically related to shortcomings in the make-up of the Empire.

As far as geography is concerned, the Empire's structure was such as to make possible a complete divergence of views among authorities. From the standpoint of river drainage the Empire was clearly not one country but a group of countries, each of which had a geographical unity though the Empire itself had none. Geographically there was something in the fact that the kernel of the Austrian Monarchy belonged to the Danube, Bohemia to the Elbe, Silesia to the Oder, Galicia to the Vistula and Dniester, Southern Tyrol to the Etsch, Gorizia to the Isonzo; while Istria, Dalmatia, and Herzegovina looked upon the Adriatic without having any substantial river connection with it. The Monarchy rested therefore upon seven larger rivers: it is worth noting that it broke up in 1918 into seven states. On the other hand—if one left aside Galicia and Bucovina, which in parts consisted of lowlands belonging physically to the Russian mass—on a bird's-eye view the Empire appeared powerfully knitted together by the sweeping backbone of Alps and Carpathians, and by the living nerve of the Danube. "The irregular structure of old Austria," said Ratzel, "is more organic than the



rectangular one of young Kansas." Other writers—for instance, Sieger—looked upon Austria-Hungary as a perfect "communication unit." If one left aside Galicia, the Vorarlberg, and the Trentino, the remaining bulk formed, in their view, an interdependent complex, with all the natural lines of communication converging upon the Middle Danube. No other European state possessed such a centripetal valley system, with the Viennese basin as the vital center at the crossing of the main lines.

Though in this way closely connected with each other, the several parts could not easily be welded together. The original lands of the Monarchy formed a solid core, but the additional lands were ever looser toward the periphery, ending in isolated wedges and enclaves. Political coherence is reduced by distance; Austria lost influence in Germany because even at the time of the Germanic League she had fewer possessions in Germany than Prussia, and was further from the German center. Nor can geographical consistency be reduced solely to the physical factor. Those geographical factors which are related to everyday life help to produce a similar historical and cultural development among the countries which share them. In that sense Austria-Hungary was in the west closely bound geographically to the German formation; eastward her parts became increasingly independent, ending in the wholly autonomous Hungarian plain. Ethnographically and politically the most individual traits in the history of Hungary have emanated from that island plain. In the same way, some parts of the old Empire were relegated to other geographical-cultural regions, especially before the period of dualism. Until the Italian war of 1859 Austria consisted of twenty "lands" and two military frontiers; after 1849 the five divisions of Hungary were, in fact, added to the twenty. Some of the parts were linked together by bonds of history; but the whole was a collection of small and middle-sized political entities.

The simplification of 1867 was wholly fictitious. It was not regarded as permanent even by its beneficiaries, let alone by its victims. Under the smooth dualistic cover the Empire was to the end—for the real functions of government—a mosaic which revealed the two acknowledged states as consisting of seventeen provinces (or "crownlands") and one "associated land" (Czechoslovakia) in Austria; a "separate body" or exclave (the city and port of Fiume) in Hungary; and a province with colonial character (Bosnia-Herze-

govina). All of them enjoyed a more or less extensive measure of autonomy, and all of them were conscious of being separate historic entities. And whatever view one may hold about geographical factors, they were playing a rôle decreasing in importance with the progress of modern conditions, especially since the coming of the railways. On the best assessment it meant not that Austria-Hungary must be a unity but that she might be one, possessing a sufficient geographical cohesion to that end.

Originally the political function of Austria was closely identified with her geographical position. She was the eastern march of the German Empire, intended to stem the advance of barbarian invaders. From that function arose both the growth of the territorial empire, as well as the special place of the Austrian ruler among the German princes, which brought him the dignity of a formal empire. The intertwining of these two developments proved fateful for the destiny of the Hapsburgs. From the time when Ferdinand became Emperor of Germany—a title which the Hapsburgs retained during two-and-a-half centuries—the inner growth of the Austrian Empire always got tangled up in the loose threads of those external connections. That the two were essentially incompatible is proved by their inverse progression. The first never fared so well as when the second was in distress. It was the fatality of Austria's internal life that it could not be insulated from the shocks of external trials. Her internal progress never had a continuous existence of its own, but was always lashed backward and forward on waves of foreign commitments.

All the chief landmarks of Austrian history bear the sign of that nefarious association. The union of Austria with Hungary and Bohemia was brought about by the Turkish danger. Likewise, the initiative for the pragmatic sanction came for the same reason not from Vienna but from Croatia, while Hungary took a special part in it. It was an association meant to form a border-league against the pressure of the conquering Sultans. But this fundamental purpose of the Empire very soon lost its strength. After only a few decades the Hapsburg Empire had to defend its existence, not against Islam, but against the whole of Western Christianity. To a large extent this first weakening of the original purpose was made good by the enlightened absolutism of Maria Theresa and Joseph II. Their great reforms placed the idea of State upon the more solid ground

of internal development, and especially upon a systematic administration. In that way the possessions secured during the previous century began to acquire a sense of common and distinct unity, outside the Holy Roman Empire. But even then the territorial and political position remained unsettled. Joseph's unhappy military adventures put him in need of aid from the Hungarian estates, and he paid for it by revoking on his deathbed a large part of his progressive reforms. The call of the oriental mission competed with the ambitions centering upon German and Italian glories, and the Hapsburgs were never able of their own will to renounce any of the three.

Only the advent of Napoleon—which for the first time threw Austria back upon herself and ejected her from Germany and Italy—led the Hapsburgs to acknowledge their true rôle. They abandoned the fiction of the German crown and created the reality of the Austrian crown (1804). Moreover, it looked as if its wearer at last had a vision of the Empire's high function. For in contrast with Napoleon's nationalist empire, the documents relating to the creation of the Austrian deliberately describe it as a *Voelkerkaisertum*—an imperial commonwealth for mutual protection and advance. The basis of this second milestone was almost identical with that of the original pragmatic sanction, which had been signed individually by the various kingdoms and "lands," and it looked as if their collectivity had at last become a unity and the Empire truly and soundly founded.

### *The Factor of Nationality.*

That vision quickly faded away, however, with the passing of the Napoleonic danger. The Congress of Vienna recreated the old and distracting imperial title; while Metternich's wholly negative internal policy undid everything that Napoleon's attack had done toward the consolidation of the Austrian idea. For a moment a fresh chance was offered by the events of 1848. The new element of nationalism, which was to insinuate itself so quickly and potently into the physiology of European politics, might have been for Austria a paradoxical gift of the gods. Its general effect was to precipitate the formation of unitary national states. To Austria it offered the chance of a new and supreme justification of itself as a multi-national state, in a region in which genuine national states were not possible; as, in fact,



the providential savior of the national idea in a region in which the idea could not fulfil itself naturally and ran the risk of decay either through inanition or self-destruction. Among the original crownlands and provinces, with the exception of a few small Alpine districts, there was not one which did not contain two or more nationalities. Hence their limits were not co-extensive with the new dividing factor of nationality.

The problem was how to link up these nationalities direct to the State, across and above the old territorial divisions. The general demand for a constitution in 1848 meant in Austria, as Sieghart says, eight different things to ten different peoples. The famous Kremsier Assembly boldly grasped the new factor and devised the idea of nationality districts (though it rejected the continuation of the idea as contained in the proposal to link up those districts into nationality groups). Such an arrangement would have offered scope for the development of the new factor for many years to come, while segregating it from the common political problem. In regard to this the Assembly adopted the principles of a federal constitution, thus giving a third and modern content to the imperial idea. But neither the dynasty nor its advisers recognized the signs of the times. When the Assembly met for its final session, they found the room occupied by soldiers, and were told that the Emperor had granted a Constitution of his own—the so-called “March Constitution.” The proposed internal reform was scornfully shelved, promises made under the shadow of the revolution were rescinded, and centralist autocratic rule resumed; while the dynasty strayed once more after the mirage of the imperial Roman crown. Yet in the short space of only seven years the loss of the Italian and German stakes finally closed the northern and southern gates to imperial power. Both the “Christian-Catholic” and the “national-imperial” ideas collapsed beyond retrieve. For the second time Austria was thrown back upon herself. Her discomfiture was but an incident in the progress toward the constitutional-national form of state in Central Europe. Yet it did not break the Empire; in fact it pointed a way to salvation without disruption, unlike the ideas which had prevailed in the middle of the century.

Nationality was but a frame and a binding element for the many new trends and interests whose compromise was expressed in parlia-

mentary constitutions. The numerous interests now at work within the limits of each country were harnessed together to the national chariot. In Austria, of course, constitutionalism was bound to be multi-national. But the problem was not insoluble, and the task was inspiring. Had the Hapsburgs succeeded in uniting ten nations into free and spontaneous co-operation, the result might have profoundly influenced political philosophy and practice throughout the world. But the Hapsburgs could not forget their dreams and, once again, allowed internal policy to be governed by external phantasy. The persistence of the German ambition made it imperative for them to have security in their rear, and to that end they proved willing to pay Hungary the price of dualism. So fateful was that step for the progress of the Hapsburg Empire, so pregnant with the seed of all that befell it during the half-century which followed, that it could properly be described as the beginning of the end. The dualist *Ausgleich* was in effect the final abandonment of the mission and meaning of the Hapsburg Empire, and therefore the first step in its dissolution.

### *Dualism and Disruption.*

Dualism may be said to have broken the hopes and shaken the loyalty of the other nationalities. For it did worse in effect than merely reverse the 1804 doctrine of a people's empire. The intermediary period had seen merely a regress of constitutional practice. The existence of the several nations was not denied; they were only refused the right to self-government, and were ruled autocratically, but equally, by the one central government. Dualism meant in a way a check to that autocratic centralism; though, as M. Chéradame said, it was really but a "*dédoublement du centralisme*." It meant above all the disinheriting of the many nationalities for the benefit of only two of them. As long as the national idea was kept in leash, there was always the hope that one day it would be released. With dualism it was, so to speak, banned from the Hapsburg Empire. Thereafter the subject nationalities were bound to seek elsewhere the free existence which the Hapsburgs had failed to secure to them.

Not even after 1870, when the northern ambitions were surrendered at last, did the Empire gather in the reins of its aim and

policy for the purpose of finding itself, as the new German Empire was doing. Instead of following Bismarck's example, the Hapsburgs followed the insidious advice which he gave to Beust in 1871. Referring to the dissolution of the Ottoman Empire, Bismarck remarked that one could not conceive of a Great Power not making of its faculty for expansion a vital issue. Thus arose the policy which led Austria for the first time to seek acquisitions in the interior of the Balkan Peninsula. It was for her the most dangerous of all external quests, because that way lay the powder magazine of the national idea. In making herself, after 1870, the inheritor of Turkish dominion in the Balkans, Austria-Hungary began to absorb the poison from which the Turkish Empire was slowly dying. Only a simultaneous reform of her Constitution could have acted as an antidote. Without such reform, the Empire originally created as a refuge and defense from the Turkish system took on the image of that which it was to forfend. Austria-Hungary had been held together less by common ties of history and culture and economics than by a sense of insecurity as to what might follow the break-up of the Empire. With the disappearance of Turkey from Europe, and with the collapse of Russia, the Hapsburg Empire no longer had an external *raison d'être*; while in all those centuries its rulers had failed to create a sufficient internal *raison d'être*, and the Austro-Hungarian *Ausgleich* now dashed all hopes of a better future.

The dualist arrangement hardened the political life of the Monarchy in a way which precluded its adaptation to the national-democratic currents of the latter nineteenth century. It gave in effect notice that it refused to be influenced by them, and adopted a Canutian attitude toward their tide. So violent a twist given to the national evolution of the State was bound to be reflected in the manner of its government. Instead of adapting itself to them, the change flew into the face of the new political ideas which were bubbling up and gathering volume all over Europe, shaping the character of modern democratic government. In rejecting the principles, Austria-Hungary had to deny also the forms which elsewhere were finding expression and advancement. The bastard dualistic constitution could not live together with natural democratic forms of government: it had to conceive arbitrary forms fashioned to its own twisted nature and ends. One must not press comparisons too far, especially in dealing with such a motley region; but of its subsequent instability in prin-



eiple and personnel, of party and policy—of this fickleness and brittleness it may be said that after 1867 it drew increasingly away from the Western system and increasingly nearer to the Turkish form of government. No idea was after 1848 carried to its logical conclusion; every experiment was abandoned halfway, destroying even such good, and such psychological *détente*, as it may have achieved. That this type of arbitrary military-bureaucratic government made the transition to war government much less striking and sensitive than in the West, of this we shall have occasion to speak in more detail later on. The fact that in the Hapsburg Empire the administration was incomparably more efficient and honest than in the Ottoman Empire did not alter that nefarious affinity. It made the system more tolerable, it did not make it acceptable. Above all, it did not preclude any less the possibility of change by agreement and compromise. Nothing thereafter could induce the Magyars to allow a modification of the dualist constitution. It became ever clearer that this could be achieved only by force—the force of either civil war or external war—and that meant that the power which guarded the arrangement had to be destroyed first.

These two ever-threatening alternatives dictated the policy of the Empire. Autocracy at home was not enough. It could crush attempts at civil rebellion, but this left the nationalist current to batter at the walls of the Monarchy from outside. Therefore the Hapsburg autocracy could not, like that of the Hohenzollern, rest on its laurels after achieving its national end. It had to be always on the offensive because it was always on the defensive. It had to interfere continuously with the neighboring national states, because the very existence of those states was a perpetual challenge to its own existence. If the nationality problem was to be solved within the Empire it could be only by absorbing those outlying groups. A generous policy in the Fifties, when the idea of nationality was still weak and the Turkish heritage still undetermined—when “Viennese parties” were to be found in the politics of Buearest and other neighboring capitals—might have made that solution possible. But the war on the nationalities inside, together with the gradual creation of national states outside, apparently settled the point in favor of the centrifugal solution. Nothing was more likely to be fatal to the Monarchy, therefore, than a war; yet its policy remained, of necessity, one of continuous smoldering warfare.

*The Economic Factor.*

Geographical diversity and political inconsistency were, indeed, reflected throughout its history in the economic structure and social progress of the Hapsburg Empire as much as in the Ottoman. External events naturally affect the economic and social life of every country, making dents, so to speak, in its set policy. In the case of Austria, policy seldom opposed those external influences by any effort to regain a normal shape. On the contrary, it was deliberately and frequently changed by the country's rulers in consonance with their foreign concerns at the time. Such a shifting policy, superimposed upon territorial and historical diversity, produced conditions which did not allow the whole to consolidate itself into a state.

From the outset the union of Austria with Bohemia and Hungary was placed upon a basis which caused economic policy to be determined not by state but by provincial interests. The provincial estates had considerable say in military and financial matters and completely controlled all economic questions. Customs lines, where internal goods were treated on the same footing as foreign goods, separated all the provinces from each other. Tariffs differed in each of them and in most cases goods paid both import and export duties. By the middle of the seventeenth century Austria had remained economically far behind the Western states, largely on account of the continuous wars in which she was engaged. This was no better in the second half of the century, when, besides holding up the Turks, Austria had also to fight the French. To raise means for these wars she had to resort to every possible fiscal device, and the economic and administrative deficiencies brought to light by the struggle could not be made good by reason of a lack of means.

A period of extensive reform set in after the peace treaties of Rastadt and Passarovitz, which put an end to the struggle with France and Turkey. Her new territorial gains extended to limits which the Empire never reached again; and for once an Austrian Emperor, Charles VI, had no other foreign ambition than to maintain and consolidate the State. In keeping with that, internal policy was directed toward the unification and economic strengthening of the Empire; and as a result, it became in the eighteenth century something of an economic and customs unit. Even so the abolition of customs lines advanced but slowly. It was considered a progress that



goods going from Silesia to Trieste only had to pay duties at six points. Goods using the Danube route paid duties at thirteen points in the Austrian provinces. It is true that home manufactures, in transit from one province to another, now only paid one duty; and those duties as well as the regulations concerning foreign imports were determined by the central government—though not on a uniform standard for all the provinces. But it is significant for our argument that in that period of exceptionally deliberate unification the central government, in the face of Hungarian opposition, created new customs frontiers between Hungary on the one side and Croatia, Slavonia, Transylvania, and the Banat on the other, so as to keep them independent of the authority of Budapest.

Under Maria Theresa, the mercantilist policy of her predecessors was applied with still greater intensity. The loss of the valuable Silesian province to Prussia and the Seven Years' War provoked great efforts toward internal unification. Economic relations with Hungary become so active as to throw the still existing customs line into the shadow. Such progress could hardly have been possible without the sweeping internal reforms which severely curtailed the privileges and influence of the estates; though this was much more true of Austria than of Hungary. Maria Theresa, at any rate, succeeded in creating at least an outward customs unity through the tariff of 1753, which applied equally to Austria, to Bohemia, and to Hungary. The same tariff abolished export duties and replaced them with export bounties; together with other measures concerning the export of manufactures and the import of raw materials, this was destined to further home industries, and therefore called forth reprisals from Prussia.

To create that internal customs unity which was everywhere one of the main achievements of mercantilist policy, was more difficult. In the Hapsburg Empire the obstacles were greater than in any other European state. A long step toward that end was the tariff of 1775; it abolished all internal customs between the Austrian provinces excepting that of the Tyrol and, of course, that between Austria and Hungary. The immediate result was a more active economic intercourse between the provinces and greater specialization in their production. Trade on a large scale also advanced rapidly, population increased, the standard of living rose, and Austria, too, began to feel the benefits of the mutual impulse of higher production and greater

consumption which was characteristic of Europe's economic progress in that period. The administrative and social reforms of Joseph II removed obstacles which stood in the way of trade; means of communication were improved; and in 1783 the customs line between Hungary proper and the adjacent Rumanian and Slav provinces was abolished. During that period, when internal policy was more deliberately and intensely devoted to the organization of the Empire, Austrian economic life advanced more rapidly than ever before.

A setback resulted from the unsuccessful war with Turkey and the consequent money shortage. That caused Austria, in contrast with her general mercantilist policy, to re-establish for fiscal purposes a system of export duties and to raise her transit duties. The effect of this, however, was small compared with the fresh change in the Government's economic policy, provoked by the French Revolution. The ideas let loose from France caused the established governments to fear any increase in the proletariat and, therefore, to deprecate the expansion of existing industries or the creation of new ones. Until 1811 no import of machinery was permitted, although Austria was in this respect less well equipped than the Western states. Inflation strengthened this new tendency. It also led to the abandonment of the economic unity which had nearly reached completion under Joseph II. In 1793 import and export duties were already reimposed at the Hungarian frontier for all goods passing in either direction. In 1798 most of the duties on cattle, corn, and beverages were re-established between the provinces. The confusion was made worse by the frequent territorial changes resulting from the Napoleonic wars. In 1815 the old Austro-Hungarian union was surrounded by seven smaller customs groups, each of them separated through customs frontiers from the rest of the Monarchy. Export duties were also placed upon manufactures and transit duties were raised, with the result that prices and cost of production increased and the competitive power of Austrian industry was hindered. As a compensation higher protective duties were granted to those industries which had suffered most; and so it went on. The depreciation of the currency and the attempt to stabilize the customs duties produced chaotic conditions. Between 1817 and 1822 the Government decreed no less than seventeen changes of the tariff, each being in turn amended almost as soon as it was issued.

The popularity which the free-trade doctrine enjoyed after the Napoleonic wars spread to Austria also. In 1826 the last internal customs line between Tyrol and the other provinces was abolished. But, again, it is characteristic of the inconsistent economic policy of the Hapsburgs that they refused to abolish the customs line toward Hungary. Because the Hungarian nobles were exempt from taxes, while the Austrian nobles had to pay them, the latter were afraid that they would not be able to compete with Hungarian agricultural products. Hence Austria refused to apply the new policy of internal free trade to Hungary also, as she had refused it before, though this was demanded by the Hungarians themselves. The same irresolute standpoint influenced Austria's attitude toward the German Customs Union established in 1834. Though the Austrian Emperor was once more Emperor of Germany, Austria refused to join the Customs Union, being unwilling to bring her protectionist policy to the level of the free-trade tendencies which inspired the German Union. Whatever the doubts as to the advantages of free trade that may have been at the bottom of that first refusal, they should have been allayed by the remarkable rise of German industry under the new system. Notwithstanding much lower rates, the receipts from customs in the German Union were three times higher per head of population than in Austria. Nevertheless, in 1843 Austria refused a second invitation to join the Union. In passing it is worth noting that Austrian industrial interests pressed for that refusal with the argument that it might have been useful to join the Customs Union in 1834, but that by 1843 this was no longer possible, because the Union's industries had left the Austrian far behind.

A fresh change took place after the Revolution of 1848. On the one hand the breakdown of the revolutionary movement led to the setting up of an absolutist centralist régime. As part of this policy, autonomous government and the privileges of the landed class, especially their exemption from taxes, were abolished in Hungary, and in 1850 the customs line followed suit. Thus the two countries were at last joined into one economic unit, more than three hundred years after their political union. On the other hand, these changes were furthered by the growing influence of free-trade ideas, and were explained by the strong wish which Austria evinced after the Revolution to join the now powerful German Union. In 1850 Austria declared her willingness to join, but then—and again in 1863—her de-



sire was balked by the now determined refusal of Prussia to abandon or to share the primacy which she had by then acquired in the German Union.

That diplomatic reverse was painfully confirmed by Austria's military defeat in 1866. This led to the dualist system, but the Austrian customs union was maintained, notwithstanding the now pressing wish of the Hungarians for an autonomous customs frontier. During the following period of internal concentration and relative external detachment the economic progress of the Monarchy made rapid strides, notwithstanding, or rather because of, a liberal tariff policy. From the same period also dates the greater part of the Austro-Hungarian railway system. Improved communications joined to freedom of trade brought about an increase in imports which affected certain branches of industry, but that partial drawback was far outstripped by the great benefits which arose therefrom for the country's economic life as a whole.

## CHAPTER II

### THE MODERN FACTORS: NATIONALISM AND CLASS

#### *From Nationality to Nationalism.*

WHILE the Hapsburg Empire was thus involved externally in continuous advances and retreats—on which its strength and future were supposed to depend—an inward transformation set in, which no triumphs beyond the frontiers could check or divert. For no other states except Austria-Hungary and Turkey did the rise of nationalism hold such revolutionary portents in store. The nature of nationality is still open to controversy. Yet there is no doubt that the two elements which, above all, set it in motion as a political force were the political ideas generated by the French Revolution, together with the spread of education which enabled the masses to absorb them; and, secondly, the economic transformation known as the Industrial Revolution. Both factors were bound to be more potent in Austria than in Turkey, because she was far more advanced both in culture and in economics. That she nevertheless withstood the new forces much longer than Turkey is strong proof that she had the makings of a state in her.

The effect of the French Revolution was irresistible. Just as in the Middle Ages the life of Europe was transformed by the migration of peoples, so the new period was, so to speak, leavened by a migration of ideas. Education, the press, and other devices and circumstances made the spread of ideas much easier; and Napoleonic propaganda made powerful use of the slogans of the French Revolution in the four corners of Europe. In Austria the improvement of government itself speeded up their effect. The administrative reforms initiated by Joseph II could be made effective only by bringing government in close contact with the masses, using to that end the native languages which they understood. But the whole system rested essentially upon a centralized government, which had to make use of a uniform official language. It was, therefore, Joseph II himself who introduced German as the official language in the administration, and thereby roused a nationalist reaction among his non-

German subjects. The language conflict was to acquire a much sharper edge later on. As long as the Austrian emperors were also emperors of Germany, the Germans in Austria and their language had some claim to priority, as being the link between the two empires. Afterward their privileged position appeared merely as an abuse, and the maintenance of German as the official language as an imposition. Even among the more progressive members of the aristocracy, especially in the agrarian regions where the middle class was still in embryo, contact with the West stirred up a liberal-national current increasingly hostile to Hapsburg absolutism. The rapid progress of the industrial West was pressing for a transformation of agriculture. Noble landowners and bourgeois idealists found a common ground in the demand for the emancipation of the peasants; and in the fact that the national programs of the middle class were giving but a western democratic form to the traditions of autonomy cherished by the provincial landed class.

### *The Third Estate.*

The most pressing demand for national autonomy came, however, from the new middle class. Notwithstanding the unhelpful attitude of the authorities toward industrial development after the French Revolution, the spirit of the time was stimulating the rise of individual enterprise in trade and industry. Until then manufacture had been mainly under the control of members of the upper class and of officials. In the second quarter of the century began the assertion of the typical middle-class *entrepreneur*, who depended for success on technical and commercial skill rather than on mercantilist favors. It was the irony of Austria's fate that the rise of the nationalities should have acquired special impetus just when—after 1870—the Empire settled down to a more prolonged period of peace. That period was one of rapid economic progress, and this had the effect of bringing up an active and advanced middle class among the nationalities. The disruptive tendency of the economic factor appears very clearly in Austria's relations with Hungary—that is, with the one nation with which a truce had been concluded.

The story of those relations also brings out how the drifting policy of the central government defied the growth of economic unity, before it was finally thwarted by the rise of nationalism. The

customs line between Austria and Hungary had been maintained by the central government even after the disappearance of the other internal customs, chiefly as a means of levying a tax on the Hungarian landlords who continued to be exempt from direct taxation, though they were the class most capable of paying it. Therefore, during that period, it was the Hungarian landed class which was demanding a customs union; during the two decades before 1848 this was the chief claim of the liberal movement in Hungary. Immediately before 1848, however, largely under the influence of the teachings of List, the Hungarian nationalists completely changed their standpoint and demanded full economic autonomy, as part of their claim to political independence. Kossuth and his friends established a national society which advocated the protection of each and every industry. This led the Hapsburgs, after crushing the revolution, to reverse their own policy and to establish in 1850 a customs union so as to counteract the separatist movement. The union was thus imposed for political reasons. It was in consequence bitterly resented; all the more so as its first effect was to ruin the Hungarian artisans through a foreign rather than a native large-scale industry, and the small bourgeoisie joined the independence movement *en masse*. It roused, of course, the middle class, who had been won for the program of a protected national industry; and it was suspected also by the agrarian classes, especially because the resulting antagonism between industry and agriculture ran at first along the national frontier line.

The customs union was maintained in the *Ausgleich* negotiated in 1867. It was important for Austrian industry, but it also made possible the rapid development of Hungarian agriculture. Nor did it prevent, with the liberal help of Austrian capital, the growth of an efficient Hungarian industry. The general advantage seemed to be in Hungary's favor. Of her exports three-quarters went to Austria, while merely one-third of Austria's exports went to Hungary. Nevertheless, on the traditional mercantilist assumption that industry is superior to agriculture, it was argued that the customs union was hampering a quicker growth of Hungarian industry, and large sections in Hungary now demanded customs autonomy or, at least, a tariff toward Austria. This was part of the wider claim for political independence, and was coupled with ever more pressing demands for a separate bank of issue, for separate economic representation abroad, etc. In 1902 a portentous precedent was established at Brus-



sels, when the sugar convention was signed by Austria and Hungary separately, as independent parties.

Beyond a doubt, it was the economic provisions of the *Ausgleich* which were, above all, undermining the dualistic system. It would be difficult to determine which of the two parties derived the greater advantage from them. But the advantage was mutual and yet friction was growing. The main economic provisions of the *Ausgleich* had to be settled every ten years, and each occasion saw the parties more uncompromising in their bargaining. The second *Ausgleich* was concluded only after negotiations lasting two-and-a-half years; and when a ministerial crisis occurred in Austria toward the end of another period, in the spring of 1906, the Emperor demanded that the new Prime Minister should be a high official specially versed in *Ausgleich* matters and capable of negotiating a new one effectively. Every ten years the economic structure of the Empire was thus thrown into the melting pot; and as each side tried to gain public opinion for its standpoint, the struggle was reflected in increased political bitterness. In Hungary, the widespread "Tulip" movement, whose members were pledged to buy only Hungarian goods, meant in effect a boycott of Austrian manufactures; while in 1906 Parliament took under consideration a separate commercial treaty with Switzerland. This roused the Austrian Government, and the committee sitting to consider the economic part of the new *Ausgleich* were instructed to prepare, early in 1907, a "Statement of Means of Pressure That Could Be Used against Hungary." The 1907 agreement was concluded with such difficulty that it was by many regarded as likely to be the last. The whole system was so brittle that the irrepressible Viennese wits, ever ready to laugh at their own trials, dubbed it a "*Monarchie auf Kündigung*."

If the march of economic changes had such an agitating effect on the privileged Magyar nation, it was bound to rouse the other nationalities still more. The same causes were bringing up among them also an educated and enterprising middle class. But in their case the new forces had not the same outlet in the control of their own economic progress. In Hungary they had to fit into the plans of Budapest, in Austria into those of Vienna; and in this field perhaps the first were not felt to be as oppressive as the second. If one excepts in some degree the Croats, the subject nations in Hungary were still almost wholly agrarian. All the more was economic subjection re-



sented in Austria, where an important part of industry was located in Bohemian territory. Galicia was an exception which supports the argument. Its semifeudal agrarian conditions led its Polish leaders to depend on, rather than to resent, the supremacy of Vienna. Semifeudal class rule allied to a centralized capitalism made a combination which most spurred on centrifugal national tendencies. Vienna took on the appearance, not of a natural economic leader, but rather of an exploiter of the weaker nations through her financial and administrative monopolies—a colonial system in the very center of Europe. The new middle class everywhere felt that its economic interests were incompatible with the supremacy of Viennese finance, and that the alliance of Austrian capitalism with Hungarian feudalism placed the other national groups on a level of dependent colonies. Thus, by no means accidentally, the period of intense capitalist development was also a period of great national tension. Economic problems were adulterated by nationalist issues. Each national group tried to divert the new stream toward its own mill. Industrial competition between the Alpine and Sudetic regions, Galicia's aim to emancipate herself economically, the demand of the Karst and coastal regions for reafforestation and economic opening up, not to speak of Hungary's more comprehensive ambitions—they each and all took on automatically the traits of aggrieved national claims.

Economic prospects and national claims became, so to speak, interchangeable. Increase in one raised the level in the other. That is why, in a way, Turkish policy had been more appropriate in preventing the rise of a nationalist middle class. Its general incapacity had the effect of holding up commercial and industrial progress; and much of the later economic development was in the hands of foreign subjects, whose interest it was to encourage rather than to hamper a government which in many ways—either of its own will or through the working of the capitulations—favored them above its own subjects. In Austria-Hungary the new national interests were in essence largely class interests. National regionalism was but a new phase of the older provincialism represented by the estates. In the eighteenth century the officials of local authorities were supplied by the estates of that province; from there they passed to the central departments at Vienna, where they continued to represent the interests of their particular estate. In the same way the professional classes of the nineteenth century increasingly used official positions

to further the interests of their particular nation. But the factor of class now played a great and quickening part in these national ambitions. In an earlier period the Hapsburgs had induced the settlement of German traders and others in the regions east of the Theiss so as to dilute Magyar dominance, but Magyar aristocracy was then in any case not able or inclined to compete in those fields. The "gentry's" obstinate pressure for separation from Vienna was moved by a more concrete selfishness now. Only a Magyar-ruled Hungary could supply posts for the crowd of Magyar officials, teachers, etc., by denying them to the intelligentsia of nearly half the country's population. The success of that policy was for these privileged people the tragedy of the recent peace settlement; and the methods of government applied in the Succession States after the War were in this, as in many other aspects, but the natural offspring of the unnatural methods used in those regions before the War.

Many were the portents of a possible stampede among the new middle-class groups. Even in the root-nation of the Empire, if one may call it so, that group seemed more anxious to secure its tribal profits than to further the imperial progress. In the so-called Linzer program (1882) the German nationalists sought to perpetuate their own predominance in Austria by demanding that Bucovina and Galicia, Dalmatia and Bosnia-Herzegovina, should either be attached to Hungary or be given separate governments; at the same time they also showed increasing dictatorial aspirations, which we shall find them revive in the chances of the War. Yet the national movement only became really dangerous when it captured the masses. Many elements combined to turn national programs into propaganda. With some it was a sentimental appeal on idealistic grounds. For others it was made inevitable by the progress of parliamentary government. In some cases it was merely an easy way of preserving a market for national industry and capital. And often it was, beyond doubt, merely an attempt to divert the growing agrarian and industrial unrest, and direct it through nationalist channels against Vienna. Social movements had in the past never followed strictly national lines. The peasants of a region, however divided in language, blood, or religion, joined hands when they had to settle some account with their landlords. In its turn the landed class remained united when it was a case of keeping the peasants in bondage. But when social discontent was made to run in harness with po-

litical resentment against foreign domination, the upper class, and later the middle class, had no difficulty in making the masses accept them as leaders.

Hungary again provides the most striking illustration. Even to the last the semifeudal magnates were able to keep their own power by denouncing that of Vienna. As a consequence the constitutional struggle weighed more heavily in the balance than the social. Independence always meant two things for the Magyar privileged class. One was the old and irrepressible wish to break away from the rule of the Hapsburgs; the other was the sense that autonomy alone made it possible for them to preserve their standing as a ruling class. Hence at all times the compromise was a bargain between imperial power and social privilege. In this the Hapsburgs acquiesced, even at the peak of their power, to the undoubted strengthening of regional detachment. Even as early as the eighteenth century, after the pragmatic sanction, internal reforms had to be limited to Austria and Bohemia. Their application to Hungary would have affected the Constitution, and the estates used it as a screen against the progressive wind that was blowing from Vienna. Fifty years later Joseph II made a more determined effort to give the Empire a unified social structure. But when, as a result, the Netherlands were lost, Magyar agitation succeeded in getting the control of internal affairs into the hands of the local estates again. They retained it for all practical purposes throughout the nineteenth century, merely with a change from constitutional to political and economic means.

#### *The Fourth Estate.*

The studies of Austrian writers—especially of the Socialists Karl Renner and Otto Bauer, as well as the post-war study, *The Dissolution of the Habsburg Monarchy*, by Dr. Oskar Jászi—produced solid proof that much of the nationalist concern with social problems was disingenuous. Yet it was in vain that men like them urged the central government to call the bluff by means of a bold policy of social and political reform. Some of the Empire's leaders were not unaware of the disintegrating forces which lurked within the new idea of nationality. They hoped, with apparent logic, to contain them through more universal ideas—the appeal of monarchy and of Catholicism above all, with a reversal to certain corporative forms of



social organization—but these were all things of the past, and always on the defensive against the more tangible ideas which were now stirring the masses. A skilful use of the new economic factors—division of labor, capitalist enterprise in manufacture and trading, etc.—which gave a material advantage to a large country, might have better helped to create a substantial unity. Still more promising was the opportunity offered by the new social problem. A century earlier the Hapsburgs had successfully intervened to emancipate the peasants from feudal bondage, and had thereby earned their strong devotion. Could not the State do now that which would win for it the decisive support of the rising fourth estate? The working masses inevitably looked first to existing authority to satisfy their new aspirations; and various measures allowing them political voice and also social voice, through trade unions, were indeed granted them. But a bird's-eye view of this aspect of Austrian policy between the establishment of dualism and the outbreak of the War plainly discloses why the fourth estate was lost to the Empire and won by nationalism.

A broad survey of the period shows the central power to have been devoid of any genuine interest in the political and social claims of the masses. Its attitude toward them could hardly be called a policy, for it alternated in rapid and wilful changes from friendly advances to ruthless repression. The granting to the workers of the right of association in 1869 was followed almost at once by the impeachment of the workers' leaders for high treason. A little later these men were pardoned, and some members of the Government came out in favor of universal suffrage; but following upon Bismarck's anti-Socialist law, Austria, too, sought to check the movement by stern policiary measnres. After various interludes, it fell to the lot of a Conservative statesman, Gautsch, who only a few weeks earlier had declared that it would ruin Austria, to introduce universal suffrage in 1905, a few days only after the Tsar's "October Manifesto," and undoubtedly under the disturbing impression of events in Russia. It was not long, however, before the Government wasted the credit it might have received for that advance by again treating with contumely all the wishes of the workers.

The fact that it was possible in such a fundamental question as the Constitution to have universal suffrage in one half and a retrograde franchise built on privilege in the other half, discounts the apparent unity of the Empire. When a conflict broke out in 1905 be-

tween the Crown and the Magyar oligarchy, Socialist leaders like Renner urged once more the use of this opportunity to establish an alliance between Crown and proletariat, which should then proceed to break dualism and create a federal state. But the Crown very soon ended that hope by coming to terms with the Magyar oligarchy and abandoning the measure, already announced, which was to introduce universal suffrage in Hungary also. In Germany, Bismarck had made a shrewd use of universal suffrage to overlay the particularism of the states; the Hapsburgs might have found it equally effective against the particularism of the historical provinces and of the new nationalism. Karl Renner had urged it for that end in 1902 (in his *Kampf der Nationen um den Staat*), and Victor Adler and others with him, confident that universal franchise would switch off popular opinion from centrifugal national lines on to the centripetal social line. The immediate result seemed to justify them. In the first popular Parliament the Germans were divided into seven parties, the Czechs into five, the Poles into four, the Ruthenians and Italians each into two, and the south Slavs into one Croatian, one Serbian, and two Slovene parties.

Diverting popular opinion and interest on to the social line could not achieve anything of itself. It merely gave the State a chance to take the lead in social reform, as Bismarck had done, and thus attach the masses to itself by making itself useful and even, as far as may be, indispensable to the masses. The rulers of Austria utterly failed to grasp that. They never gave proof of a genuine interest in social and political democracy. Throughout that period most of their hints at reform were not so much promises to the masses as threats against the ruling sectional cliques, to make them amenable to the wishes of the Crown in military and other such issues; and once this end was achieved, the interest in popular support vanished, as in the characteristic case of the Hungarian franchise mentioned before. Such advance as was made was cramped and unconvincing in manner; while in substance the Monarchy was seemingly being left behind by the revolutions in the neighboring and more backward countries—in Russia in 1905, in Turkey in 1908, in the Balkans in 1908–1912. The consequence was inevitable; the masses lost confidence in the State and began to pin their hopes elsewhere. Gradually their social claims were joined to the more general national claims. Once their minds began to turn that way, it appeared obvious enough that so-

cial emancipation was easier on national than on non-national lines. It was easier, for instance, to demand equality of language than to acquire the language of the ruling group—it seemed to do justice to the mass, and it was a potent appeal to it; and easy to pass from that to a demand for equal share in posts and in power, until nationality became the deciding factor in the distribution of civil offices. When, for instance, the Nordbahn was nationalized in 1906, as its lines passed through both Czech and German territory the questions of language in service and administration, and of the nationality of the employees—matters of which no one had thought while the railway was a private company—became political issues of importance, only settled through a difficult compromise.

This was but one of a plethora of similar cases, but it indicates an important reason for the worsening of the relations between rulers and ruled. In earlier days the social and administrative systems were simple, and points of direct contact between authority and subjects correspondingly few, mostly at a fairly high social level, where knowledge and use of German were general. As everywhere else, however, government action had increased rapidly from the latter part of the nineteenth century. Legislation and administration penetrated ever deeper into the life of the masses, increasing enormously the surface of contact, and in an equal measure the surface of friction. As in every other case, contact is potentially a source either of friendship or of conflict. Here the language variety created from the outset an adverse formal difficulty. German was still the official language in Austria and Magyar in Hungary, but they no longer sufficed for intimate and precise intercourse with the masses. The rulers in both capitals were slow to acknowledge this, and so to the nationalities the language used in administration became often a matter of their being understood or misunderstood, quite apart from the intrinsic merits of the case. In January, 1914, the Rumanians of Hungary, in the abortive negotiations initiated by Count Tisza, still had to plead for the appointment in the Rumanian regions of judges who knew Rumanian.

The minorities were only too predisposed to look upon every misunderstanding as a calculated piece of ill-will. For the same reason, all educational questions became matters of national competition and jealousy, instead of remaining practical problems. "Cultural" societies and institutions of every possible variety sprang up like



mushrooms, organized on strictly nationalist lines. The same trend corroded also the field of social action. In the measure in which the State became a distributor of services and bounties, those who were, or felt themselves to be, treated by it in a step-motherly way, organized for self-protection on national lines. Banks and co-operatives, friendly societies and societies for land settlement, and so on, grew rapidly in number—but as much or more as weapons in the political struggle of the national groups than as instruments for social advancement. It is important to note that these were developments, so to speak, on the popular level, not in the sphere of high finance and trade. They were, therefore, a reply to the deficiency or unfriendliness of the State's social policy: each new popular bank or co-operative or land society was adding and heaping up proof that the State was losing the social case by default. Yet it was a case in which, for a last time, as it proved, the very existence of the State was at stake, and in which a generous policy would indeed have been twice blest, blessing "him that gives and him that takes."

Therewith the Socialist thesis of the benevolent and unifying State speedily lost ground and the opposite thesis prevailed: that the social problem would be solved fairly only along national lines. In spite of their Marxian philosophy, in spite of their international professions, the Austrian Socialists had been in a way the most realistic imperialists of all the political groups in the Empire; so much so that some outside critics dubbed them the "Imperial and Royal [K.u.K.] Social-democracy." For they strove hard to save the State, and the presumption must be that if anything could have saved it, it was their program of cultural autonomy side by side with social justice for the masses by the State and through the State. But their pleas and warnings remained unheeded. The Empire's increasingly aggressive policy, economically and diplomatically, not only drove them into opposition, but it also broke the unity of the only movement which had been able to link up in a common purpose the Empire's variegated elements. From the beginning of the second decade of the twentieth century, and especially after the Balkan Wars, the national trumpets drowned the Socialist fiddle among the Slavs of the Empire. Originally the national movement had been carried by small groups of professional and business men. The retrograde social policy of Vienna brought the masses also into the ranks of the movement, which acquired thereby its powerfully centrifugal char-



acter, because the existing State offered them no obvious means of progress. Even the Hapsburgs could no longer hope to hold the people by telling them—as Prince Schwartzberg had once said—that their station was to obey, to pay taxes, and, as an extra pleasure, to go to Church. There is no need to belittle the potent force of the psychological factor. Yet there is no doubt that a popular social policy might have taken the sting of mass pressure out of the nationalist claims concerning language, etc.; whereas the granting of such nationalist claims could not safeguard the State against mass pressure in the absence of just social conditions. Especially among the rural masses, the sentiment of nationality seldom seemed potent enough to rouse them to political action, unless harnessed to some religious or social cause. There was in this degree much truth in Otto Bauer's saying that "national hatred is but a translated class hatred." As it was, the Monarchy was surprised by the War with but half a policy in all popular issues, and consequently with but the half-trust of the masses—a deficiency which left the political structure unequal to the strain.

### *The Economics of Nationalism.*

The earlier discussion of the efforts made toward the achievement of customs unity for the whole Empire does not therefore disclose the full story. Even if those efforts had been more consistent and successful, the Monarchy's true economic nature would not be revealed without prying into the fragmentary internal structure that was hidden behind the unitary façade. Likewise, one has to guard against taking the natural all-round improvement in economic activity as results of the Empire's economic unity. Between 1890 and 1914 a considerable internal trade had grown up in spite of national and political obstacles. That was, however, but part and parcel of the general growth in Europe's economic life, and the result of the industrial progress which went on at various times and in varying degrees in the several parts of the Monarchy. But the division of labor among the various provinces remained rudimentary, and in the last quarter of the century before the War the tendency was rather toward diminishing interdependence. Between 1890 and 1910, for instance, trade between Austria and Hungary grew relatively more slowly than their trade with foreign countries; and that was true

also of the several regions of Austria. At the same time Austria was losing ground in her own markets to German, Belgian, and English competition. The rise in industrial imports coincided with the period in which foodstuffs, too, began to be imported. The balance of trade which up to 1907 had been active, though in a diminishing degree, was after that date always and increasingly passive. The economic position of the Monarchy after 1907 was characterized by a rise in the cost of living, by reduced markets, and by growing indebtedness. On the eve of the War the Monarchy was, in fact, no longer solvent.

In that depressing situation there was a common element of the crisis which was felt by many European countries. It affected the Hapsburg Empire much more severely because of certain weak links in its economic make-up. Among the chief of them might be enumerated the following: The Monarchy had joined together certain agrarian populations whose existence still depended on simple farming and domestic economy. At the beginning of this century most of them were still almost self-sufficient, and the reactionary political and social policy helped to keep these peoples backward. Therefore there was no powerful demand for economic exchange; the union was organized for the satisfaction of needs which had not yet matured. Secondly, agriculture predominated everywhere, and the several parts were thus not naturally complementary. Thirdly, industry suffered from inadequate mineral resources and also from inadequate communications—this being due both to natural causes and to the disjointed and competitive policy of the Austrian and Hungarian railway systems. Fourthly, Austrian industry was hampered in its development by the Monarchy's multi-national character. The peasant populations formed some eleven ethnographical groups which held stoutly to their old customs in dress and other aspects of life. Standardization was difficult as long as industry had to satisfy such variegated demands, especially as that diversity applied, to some extent, even to agricultural tools, implements, etc. Business, too, had to be carried on in a number of languages. While elsewhere production was increasingly concentrated, in Austria firms engaged in mass production often set up in the several territories separate branches united only by joint financial control.

More significant than these innate or incidental material obstacles was the hardening of the belief in the advantages of economic separation. The Monarchy's growing economic troubles caused discon-

tent to flow along national lines, for the reasons discussed before, and to be directed against the customs union itself. Joseph Grunzel admitted in 1912 that discontent with the union was general throughout the Monarchy. Producers and consumers were chafing for economic reasons; the professional classes for political as well as for economic reasons; and as landlords and big finance were the chief supporters of the system, popular social discontent was added to the economic. The working class was in principle the main centripetal force. In practice it became even more centrifugal than the others. National antagonism soon adopted the habits of an economic guerilla warfare. Each nationality, whether inhabiting a separate or a mixed territory, strove to possess its own banks, co-operative societies, technical schools, and so on. Each of them made great efforts to increase its holdings in land; so that in Hungary, for instance, in spite of the active settlement policy of the government, through the so-called Altruistic Bank, the Magyar leaders complained of even more extensive Rumanian settlement in Transylvania, though the latter depended on private resources (a competition which throws much light on the land reforms after the War). Now and then national competition broke out into violence. Mutual boycotts were not infrequent. In the Nineties Hungarian flour was boycotted in Bohemia; in 1906 the so-called "Tulip" movement was set on foot, and on the doors of many Hungarian business houses could be seen the warning: "No Austrian commercial travelers allowed!"

In that way, within the formally unified territory, a systematic and growing economic separation was being feverishly organized. On a different scale, and with means appropriate to the circumstances—boycotts open or hidden instead of tariffs, private preferences instead of state bounties, voluntary contributions instead of state levies, and so on—the economic competition between the national groups was in every way as sharp and ruthless as between separate states; and they were similarly directed toward political ends rather than toward their economic profit. To lament, therefore, the fall of Austria-Hungary as the disruption of a working economic unit is greatly to misrepresent what had existed before the War, as well as to prejudice our understanding of what has followed after it. We need only compare the brittle progress of Austria-Hungary, as sketched above, with the yearly tightening up of Germany's economic structure—so much more recent in origin—to see



that the outward unity of the first really concealed a multitude of economic fragments. And each of these deliberately forsook the benefits of co-operation with the others lest it should thereby strengthen the whole. Strange to relate, it was the two ruling nations who seemed most dissatisfied and inclined to meet difficulties by cutting the painter. The Magyars never ceased to work for separation, and the Austro-Germans were inclined, as we have seen, to shed the non-German parts of the Empire. Such an attitude on the part of the two chief beneficiaries could not but encourage and justify the flight from the Empire among the less happy minorities.

### *External Conflict.*

The juxtaposition of cultural and economic nationalism which was forcing asunder the precarious unity of the Hapsburg Empire also distorted its external relations, both political and economic. The fate of the Hapsburg Empire cannot, indeed, be understood from a survey of its internal conditions alone. Its internal life and policy had acute repercussions beyond the frontiers, and the march of politics in the neighboring countries was as intrusive into the Empire's own life. Much more than elsewhere there was in the make-up of this disparate region something truly organic—a term much abused in political context, yet which has some point here, for the interdependence of the region was the consequence of its very variety, just as the variety in kind and function of limbs and organs compel the organic working of the body. There was no possibility in the Danubian region of rounding off this or that part into a unit self-contained within the meaning of modern ideas and needs, either in regard to economic and geographical compactness, or, still less, in regard to nationality. Frontiers, therefore, could not check the flow of vital historical forces; they were merely driven underground, affecting the life of the region as potently, if more insidiously, for they were beyond control then, and no one could know when and how they would break surface again, and with what effect.

This historical mutuality can be clearly discovered in the definite way in which Austro-Hungarian policy contributed to the shaping of policy in the neighboring states—always with a rebounding effect—both in the fields of economics and of politics. Austrian industry and finance were by nature blest with a great opportunity. They



were the nearest suppliers to the vast agricultural territory which spread to the east and southeast, and Austria also lay astride the main land and water routes leading to it. These natural advantages were capped by a traditional prestige dating from the time of the great struggle with the Turks. For many generations Vienna had been the cynosure of all that aspired to cultural and material progress in the undeveloped lands beyond; her new economic instruments had inherited that position and in many ways had turned it to good account. The Monarchy was in fact ideally placed for playing, to her own great advantage, economic foster-mother to the inexperienced and unprovided young Balkan states. But here again the nationalist virus erept with fatal effects into the system of her foreign economic intercourse. Yet it is important to note that it was injected throughout not perhaps by the impatient Balkan nations, but by the Hapsburg Empire itself—though it was clear that the Empire must be the first victim of any violent repercussions. And one must further note that externally, just as internally, the disease took a grave turn in the Seventies, with the final ousting of the Hapsburgs from the German union and the establishment of dualism.

In the early Seventies, Austria offered to both Serbia and Rumania commercial treaties, partly to counteract the growing western trade, partly in pursuance of her new interest in the east. As the two young countries were nominally still under Turkish suzerainty they were eager to secure a first separate treaty with one of the Powers, but that Power made them pay heavily for her own willingness to ignore the existing European statute. Not only were the terms in general onerous, but the treaties contained provisions which imposed restrictions upon the fiscal policy of the two countries, a feature unique in such agreements. The first enthusiasm, therefore, quickly changed into resentment. When the treaties expired in 1886 they were not renewed, and Austria-Hungary retaliated with brutal measures.

To all appearance it was in the interest of Austria that the agriculture of her southeastern neighbors should flourish and thus provide well-to-do customers for Austrian industry. But under the pressure of Hungary's agrarian interests, who bluntly admitted that they wanted a monopoly, the central government closed the frontiers to the import of animals and animal products—as it did again on a

number of later occasions under the cover of veterinary measures. This well-nigh ruined the once famous cattle rearing industry of Rumania, as well as the pig breeding industry which was the mainstay of the peasants of Serbia. At the same time, while Hungarian agriculture profited, Austrian industry lost valuable markets and the Monarchy as a whole forfeited much good-will. Instead of enjoying a progressing trade with those newly emancipated and developing countries, Austria, tripped again by her perverse dualism, found herself involved in a tariff war first with the one and then with the other. It is as natural as it is significant that one can trace to that period a definite strengthening of their ambition to create national industries of their own. In 1887, for instance, Rumania adopted a protective law for the encouragement of home industries, which not only gave impetus to the creation of various national undertakings, but also caused a number of factories to be transferred from the neighboring Austro-Hungarian provinces to Rumania.

There was one other field in which nature offered Austria-Hungary an exceptional gift. Her situation predestined her to derive the chief benefit from any development of the Danube—"the King of European rivers," as Napoleon had called it. The Danube was the living nerve which bound the whole region together. It opened up for the Hapsburg Empire a broad avenue to all the lands of South-eastern Europe, and beyond, while it canalized all movement from the rising Southeast toward the West, to and through the heart of Austria. Vienna had remained throughout the centuries the fountain-head of all intercourse along the Danube, and at the time of which we are writing Austrian shipping dominated the river. Every advance in the use of the Danube was bound to profit Austro-Hungarian interest in some way; a wise use of the opportunity could indeed have made all the roads from Southeast Europe to lead to Vienna. It was an ideal instrument, available to no other Power, for leadership in co-operation. As long as Russia was in control of the river mouths and impeded navigation, Austria was on the side of the Powers who strove to make effective once more the international régime decreed for the Danube in 1815. But when, after the Crimean War, Russian obstruction was removed, Austria-Hungary proved herself hardly more helpful in furthering the progress of this important waterway. She used pressure to secure for herself domi-

nant influence in arrangements for the control of navigation, or when this could not be, preferred to render them abortive—as was the case with the London Conventions of 1882–1883.

Nor was that ambition of a practical nature, for profit was to be obtained only by improving the use of the river. When she was given a mandate to cut a canal at the Iron Gates, the result proved technically inadequate; canal dues discriminated unfairly and they were some ten times higher per ton than those at the Kiel Canal (which had cost five times as much to construct) and towage dues three times higher, though the one was 96 kilometers long and the other less than 2 kilometers. To this were added irksome regulations, like the prescription of Magyar as the only administrative language, though one bank was partly Rumanian and the other wholly Serbian, and the traffic international. The result was, as in the case of the experiment with the shipping of Rumanian oil to Bavaria in the Nineties, that the states on the Lower Danube found it cheaper and simpler to divert heavy traffic to the sea routes; and we know the effect which the consequent search for sea outlets has had upon political relations in Southeastern Europe. In the *Memoirs of Prince Carol of Rumania* there is a letter written to his father in the early Eighties, in which he says that they were only too willing to allow Austria pride of place on the river, but not exclusive authority; and then he adds: "One could easily come to an understanding with Austria-Hungary—it is the Magyars who want to set up a monopoly on the Danube." What might have been an immensely powerful and profitable means with which to bind the new states of Southeastern Europe to Austria-Hungary, was turned by her into a strangle-hold—which failed to strangle, but deeply antagonized, the intended victims.

Placing these instances side by side with the internal difficulties described above, one gets a fresh perspective of the peculiar repercussions which modern economic developments had in Central and Southeastern Europe. Elsewhere the Industrial Revolution had acted as a binding force upon the different parts and sections of a country. Division of labor made them increasingly dependent upon each other; and state and national concert were strengthened as factors which helped to secure foreign markets and sources of raw materials. With the Hapsburg Empire it was not so. Within, the Industrial Revolution acted as a dissolvent, and outside, as a corroding

element upon the Empire's relations with its predestined customers. All the effort and ambition of the component nationalities went toward developing on autonomous lines the territories which they severally inhabited. In the same way the reaction of the neighboring agrarian countries to Austria-Hungary's policy was to aspire to make themselves economically as independent as possible of the Monarchy. Austria-Hungary never succeeded in giving her peoples a compelling common function, which should distinguish them at least in the sphere of economic interests from the kindred nationalities across the borders. Instead, those kindred groups within and without the frontiers were made to share a similar resentment against the harsh economic methods of Vienna and Budapest. If that did not quicken, at least it left free play to their mutual national attraction.



## CHAPTER III

### DECLINE AND FALL

#### *The Devil's Part.*

SELFISHNESS and even greed may have entered into the economic policy of Vienna and Budapest, but it was the selfishness and greed of a particular province or sectional interest, for to the Monarchy as a whole it was plainly and disastrously costly. For this reason that policy, strange in every way and in regard to the Danube nothing less than perverse, cannot be explained solely on economic grounds. To discern its springs one must assume it to have been the economic part of a general political belief. That belief apparently never included the possibility of friendly co-operation with the neighboring nations as a means of assuaging national tension at home. It was never a belief of hope, but always a belief of fear; and so was the policy that sprang from it. The peoples lurking around the Monarchy's frontiers had to be subdued, or if that was not possible, they had to be kept impotent. By the time the Hapsburgs were losing their western dependencies and their German primacy it was too late to pursue in the east their traditional policy of expansion. So Austria set out at least to dampen the nationalist leaven which was at work in the Balkans, as in Italy. She opposed the union of the Rumanian Principalities because, as Emile Olivier said, the "creation of another Sardinia on her eastern border was intolerable." She opposed the election of a foreign prince as ruler, because that was bound to consolidate the young country; and so Prince Carol had to travel through Austria on the way to his enthronement in the disguise of a commercial traveler. She showed equal ill-will toward the emancipation and strengthening of Serbia; her fateful intrigue with the Obrenovitch dynasty was part of the same attitude.

We have already seen how she bullied these young countries in their economic relations, and did not hesitate to try to cripple them; and how she chose to block progress on the Danube rather than allow them a fair share in it. In spite of appearances, there was no tinge of friendlier feelings in the offer of an alliance to Rumania. As Andrassy frankly wrote to Prince Carol when he broached the sub-

ject, Rumania was needed to help Austria-Hungary in her "mission" of forming a wedge between north and south Slavs, and so preventing their union. Friendship entered so little into it that even Prince Carol, a devoted German, had to say openly when he visited Vienna in 1883 to mark the new agreement that they were "leaving ideals aside"—for the time being, that is. In fact, Austro-Hungarian policy toward the subject nationalities gave the Prince so little chance to make his subjects forget their national ideals, if only for a while, that he never ventured to try to secure formal recognition of the alliance. It was kept secret even from successive governments, to be repudiated by all but one of those present at the crucial and tragic Crown Council of August, 1914, as a sheer personal engagement of Carol's. In thirty years the alliance had woven not one strand of understanding between Austrians, Hungarians, and Rumanians. It only led ultimately to a breach between King Carol and his people, after a lifetime of devoted and triumphant service, and so broke an old man's heart. It was the fate of Hapsburg policy to break the hearts of the many good men who vainly tried to turn to good ends its perverse spirit and means.

The same narrow anxiety which wished to keep these young states weak individually also strove to prevent their deriving strength from unity. When, after long conflicts, Serbia and Bulgaria signed in 1905 a treaty setting up a customs union between them, Austria intervened and forced the Serbian Government to drop the project. Austria's success in 1912 in inducing the creation of a separate Albanian State, to block Serbia's outlet to the Adriatic, broke up the Balkan League and caused the Second Balkan War of 1913 between the erstwhile partners—as well as much that followed after. Yet all this was not, could not be, sheer, blind ill-will. Rather was it the fateful working of that organic condition to which we have alluded before. The life of the Monarchy was linked up inseparably with that of the peoples on its southeastern borders; and as within a family, when normal relations are not possible they inevitably become pathological, Austria-Hungary could not encourage outside what it denied within. "To wish the independence of the Balkan States," wrote Professor Funck-Brentano, "and not to grant it to the Slavs of one's own Empire, is to want what is absurd and to wish the impossible."

On the other hand, the Hapsburgs never knew how to concede within what they could not prevent without. They seemed congeni-

tally incapable of facing a problem in the spirit of the age, but tried to get round it or under it by subterfuge and tergiversation—a method which led the Viennese wits to call one of the Prime Ministers who excelled in it, Gautsch, an “inverted Luther,” with the supposed device “*Hier stehe ich, ich kann auch anders!*” Above all, when in difficulties, did the Hapsburgs use the sad method of dividing to rule. They tried everything but statesmanship, and so could not keep step with History. “It is not Austria that moves on [of her own will],” wrote a French publicist in the Sixties; “she is pressed forward, breathless and terrified, pushing her Sisyphean rock, in frantic fear of the peoples she has conquered, and in search of other peoples whom she might oppose to them. Voilà! the whole history of Austria.”<sup>1</sup> There are indeed many startling instances to illustrate the fantastic effects which that haunting fear sometimes had upon her policy, and perhaps none more illuminating than her doings in Bosnia-Herzegovina. Though the Monarchy was eaten up with nationalist movements, her politicians actually tried to add one more to the number: they made great efforts to rouse a specific Bosnian nationalism, in order to complicate and embarrass the Yugoslav idea, and to promote the Bosnian dialect to the rank of a distinct Bosnian language.

“Turkey must therefore die so that Austria may continue to live,” M. Régnault had concluded. It was perhaps a plausible conclusion at the time when he wrote. But the rise of nationalism utterly falsified it. Thereafter it was plain rather that Austria might have been saved if Turkey had survived. A Turkish Empire, however reformed, would by contrast have shed as before some glamour on Hapsburg rule; and by holding in check the Balkan nationalities it would have left no better alternative for the Austro-Hungarian minorities than to stay where they were. As it was, the train of events in Austria-Hungary and in Turkey had, like connecting rods, a reciprocal leverage effect. Nationalism in the one empire was a stimulant to nationalism in the other. Every failure of the State’s authority in either caused a weakness within which, like a vacuum, invited pressure from without. External and internal conditions rose and fell together in distracting harmony. The greater part of the losses of the two empires was the result of internal revolutions; but

<sup>1</sup> E. Régnault, *Mystères diplomatiques aux bords du Danube* (Paris, 1858).



these in turn were the opportunist response to external difficulties. The centralist and autocratic government of the Hapsburgs was broken by the defeats of 1859 and 1866. Each unsuccessful war fought by Turkey pushed the emancipation of her subject nations a step further. Defeat has been the chief instrument of political change in Turkey as in Austria-Hungary.

The dissolution of Austria has been a long historical process. It began with the loss of her border provinces—Swiss, Belgian, and Italian—and the loss of her primacy in the Germanic League. Not only did the leadership pass to Prussia, but thereafter Prussia endeavored to escape further competition by pushing Austria altogether out of the group. It was, in fact, Prussia that fatefully changed the destiny of the Hapsburg Monarchy. From having been the vital easternmost province of the Germanic group, Austria turned inevitably, and not altogether with a will, into an alien ruler of a group of non-Germanic nations. From having been the spur of the solid German phalanx, Austria became the butt-end of the rising eastern Slav and Latin nationalities. After Sadowa, when the Hapsburgs were forced by events to devote themselves to their own empire, they had for a moment the chance of creating a new unity on the Middle Danube. There seemed no reason why a bold policy, allowing the tradition of conquest to merge into a prospect of consent, should not have been gloriously successful. But unity in equality did not enter into the vision of the Austrian rulers. The loss of the German position was at once followed by dualism, which postulated German supremacy in Austria and Magyar supremacy in Hungary. At such a juncture that was nothing less than a declaration of war upon the other nationalities in the Empire.

From that moment the Empire was less of a unit than it had ever been before. It is not extravagant to conjecture that the maintenance of the Empire as one real unit, with one central government and one comprehensive policy—national claims being satisfied by devolution—might have enabled it to persist to our day. But dualism cut across that possibility. It was neither centralism nor federalism, but an arbitrary division which checked the development of either. It had neither a common government, nor a common parliament, nor a common system of justice; and even the army tended to become dualistic. When in 1902 the General Staff required an increase in the number of recruits, even the Czechs were induced to



support the proposal, but Hungary refused to pass a corresponding measure and so the whole project fell through. In 1911, on the appointment of a new War Minister, the "Imperial" description was formally dropped, and the "K. u. K." substituted. There could be no more significant indication of the way in which things were moving; outside the Crown the army was the only common state element, and it was still possible to say of it what Grillparzer had said of the army in Italy: "In thy camp, Army, is Austria!" The camp was now visibly breaking up; Count Apponyi was able to refer with open contempt to "those shabby remnants of our community."

In sentiment and practice dualism marked in fact the beginning of the Empire's dismemberment. In the absence of common constitutional organs, the system hung on the uncertain thread of a common outlook and common political will, and they were diminishing rather than developing. The only means of mutual persuasion left was political or economic bargaining, and in this the Hungarians had always the best, because a thoughtless optimism as to their own position enabled them to be ruthless. Their methods frequently came close to political blackmail. In the years before the War it used to be said that whenever the Hungarian Minister of Commerce appeared in Vienna, his Austrian colleague took hastily to bed and got himself certified as seriously ill. At least one of the two sides, therefore, nursed the avowed intention to rend, when possible, the Empire in twain; yet if that had occurred even without war and defeat, there is nothing to suggest that the final outcome would have been greatly different from what it is now. The restraint which the nationalities imposed upon themselves, for the sake of the old common unity, was bound to lose its object as soon as that unity itself was in jeopardy. That was so obvious that many years ago Karl Renner was able to lay down the maxim that "the division of the Empire will be followed first by the break-up of Hungary and later, perhaps, by that of Austria."

Whatever may be said, therefore, of the errors and failings of Austrian statesmanship, it is beyond all doubt that it was the stubborn Magyar opposition to any multi-national arrangements which ultimately stultified the mission of the Empire and so proved its undoing. The responsibility of the Hapsburgs lies really in an earlier stage—in the pre-democratic and pre-nationalist stage. Then the Empire was still a unity—dynastic, administrative and economic—

and it rested with those who had the power, and also the confidence of the peoples, to fit the new factors into that fabric of the State, and not let them both be turned into opposition. Once the watershed of autocracy was passed without that synthesis being achieved, the task became much more difficult. Nationalism was allowed to become allied with democracy, and thereafter every concession to the demand for popular government meant not, as elsewhere, a strengthening but rather a loosening of the fabric of the State. One or the other factor had to be neutralized and linked to the existence of the State. After dualism, only the social factor was capable of such service. But the later Hapsburgs did not have the social vision which had inspired the policy of Joseph II. They found it easier to ally themselves with the Polish and Czech and Magyar aristocrats, and allow them feudal privileges in return for feudal allegiance, in times when social and political liberalism was sweeping through Europe, rather than descend among the masses. This utter inability to feel the heartbeats of the people alone can explain the strange change in the position of the dynasty which happened between the reign of Joseph II and the death of Francis Joseph. Though he ruled for sixty-nine years, and was in many ways a venerable figure, Francis Joseph, and through him the dynasty, remained a stranger to the people. The revolution of 1918, as Kleinwächter puts it, simply passed over the Hapsburgs to the order of the day, under the very eyes of the ruler, who was allowed to stay on with his family and was treated with polite indifference. The bond between Monarch and people had become so anæmic that not even the passions of revolution could give it body any more. And the bonds of State had not developed at all.

The Turkish parallel shows how closely the evolution of the two empires followed one another. It is true that from the standpoint of the development of government and of social organization no real comparison between the two empires is possible; that is why in this study the one looms so much larger than the other. The Ottoman Empire did not even attempt to develop its European provinces into a unit, politically and economically. It used them merely as sources of supply, and as a military *glacis* for Stambul and the Turkish homelands beyond. Therefore an initial general distinction has to be made; for what in Austria was in a way the regrettable failure of a great endeavor, in Turkey was merely the helpless dissolution of a parasitical ineptitude. With this reservation in mind, it is neverthe-

less possible to discern certain common traits in the history of the two empires. The Osmanli occupation was not unwelcome to the Balkan peoples, whom it delivered from constant conflict and anarchy. Thereafter and until the beginning of the nineteenth century they enjoyed three-and-a-half centuries of relative calm—a Turkish peace not much different from the *pax romana*.

But here again the ruling Power failed to put to use that period of common need for the end of generating a common will. Nothing was done to build up those vast and various possessions into one political unit. The Empire remained mainly a military and theocratic State. With the decadence of Ottoman power the provincial pashas were able without opposition from the local populations to revolt against the nominal central power. At the same time, the subject Christian populations, who by means of their right to cultural self-government had kept in contact with the West, were increasingly looking for outside support for the satisfaction of their new political and social aspirations. This coincided with the growing ambition of some of the Great Powers, especially of Austria and Russia, to secure the Ottoman succession. Under the guise of protecting the subject Christian populations, those empires constantly pressed for reforms which they never thought of themselves applying at home. Upon those populations the French Revolution had acted as a tremendous leaven, not least through the cultured émigrés who sought a career in all the eastern capitals. Contact with the West was much more sustained after the peace of Adrianople, which opened the Danube and the Black Sea to western trade; and in Southeastern Europe trade was mainly in the hands of the Christian nationalities. The result was a growing differentiation from the ruling Turks, to which was added resentment against the administrative inefficiency and corruption which hampered the new economic activities. When the Young Turks at last bethought themselves of reforming the Empire into a modern State, the attempt came too late; especially as they and their measures were inspired by a harsh nationalist sentiment, so that the new claims of the central power inevitably hardened national resistance among the subject peoples.

The Turkish invasion had pushed a wedge between the Slav and the Germanic groups of peoples. Step by step, as the wedge was gradually withdrawn, both groups moved forward to gain a footing in the gap. The greater the Turkish retreat, the nearer came the two



groups to a clash. At the same time, as we have seen, beneath the diplomatic play of expansion and conquest, the rising current of national differentiation and friction flowed ever faster and stronger, until the War brought it to the surface and to flooding point. Questions of popular government were irresistibly undermining the traditional issues of dynastic power, even in the backward East. At every step, however, its progress was hindered by the twisted strands of European politics. The two Balkan Wars fatally weakened the Turkish Empire, but it did not settle its succession. The interference of the Great Powers left that settlement in suspense, and thus created a vacuum which attracted the ambitions of all those who aspired to a share in the final division of the heritage. Finally, overwhelmed by the elementary force of the nationalist currents, the Versailles peace settlement could do no more than grant them recognition and allow them free play at last. As Mazzini had already foreseen, the triumph of the nationalist idea in the Turkish Empire was inevitably followed by its victory over the Hapsburg tradition. The same factors also put a halt to the European expansion of Russia. Hence the end of the special conditions, natural and political, which had made empire-building possible in Eastern Europe affected all three empires alike, and in the degree to which each had relied on them.

The Eastern Question may thus be said to have been closed for the historian. But for the statesman the problem has arisen like a ghostly phoenix in another shape. Just before a former Paris Conference, in 1855, Palmerston warned the Powers that if they wished they could together expel the Turks from Europe, but that "they would find the building up still more difficult than the pulling down." A typically Conservative oracle, that required no great wisdom to be made. It is not difficult to foretell the travail that is involved in any deep historical change. The statesman's function is not, however, to obstruct the change, but to guide it. In Central and Southeastern Europe the long and cloudy era which closed with the fall of the Sultans and of the Hapsburgs was characterized by the outlook and policy of Metternich, and oppression and suppression long protracted ended in war and revolution. The moment may have been propitious, after the World War, for giving from the outset a happier stamp to the new period. Like their forerunners, however, the new peacemakers have been but politicians. No longer able to deny the force of the nationalist current, they took the line of least



resistance and drifted with it. But perhaps the task of canalizing it would have been more than human. A war settlement will always take its image from the passions which have caused the conflict.

Therefore the problems which have followed the War are in general but the continuation of those which preceded it. The purpose of this History is essentially that of studying in what manner and degree the impact of war settled or deflected, softened or hardened, the trend of those problems. In the following chapters an attempt will be made to discuss, in that sense, some of the material and subjective effects of the conflict, as explaining the conditions and issues of the aftermath on the Middle Danube and in the Balkans.

PART II

THE EFFECT OF THE WAR ON GOVERNMENT



## CHAPTER IV

### CHARACTERISTIC TRAITS OF WAR GOVERNMENT: THEIR ORIGIN AND EVOLUTION

PERHAPS the most significant lessons bequeathed by the World War can be drawn from the sphere of government. In that field the experience of the past was quickly proved inadequate by the new conditions of warfare. Every aspect, technical and political, of the conflict was therefore reflected in efforts to provide the necessary working rules and machinery. Their variations reflect not only the truly terrific efforts to which every belligerent country had to rise, but also significant fluctuations in the response of public opinion, which give a clue to the stresses which Europe's political institutions suffered in the aftermath.

To see the distinctive features of war government in Central and Southeastern Europe, one would need to compare it with characteristic features of war government in general. Unfortunately, such a general study, though it would be as interesting as it would be instructive, has not yet been made. Such a study would, no doubt, reveal, among other things, a geographical variation of war government, in close relation to the stage of political and social development which each region had reached; and related also to the national structure of the states concerned. War government in a highly organized state like Austria-Hungary, though as stringent as elsewhere, would be found in essence to differ profoundly from war government in the old Ottoman Empire, which had indeed a military tradition, but hardly any tradition and experience and organization for intensive national action on a large scale. On the other hand, the nature and demands of the World War offered a very different problem to nationally compact states than they did to the motley empires of the Danubian region. In Austria-Hungary, for instance, it was natural that the two ruling nations, the Germans and the Magyars, should take the war autocracy for granted, and that the subject Slav and other minorities should dislike it and suspect its ultimate purpose. But this natural disinclination was, under war conditions, regarded by the rulers as high treason, and so the atti-



tude of both sides became less a matter of government than a matter of State. A study correlating, therefore, the nature and effects of war government with the political, national, and social structure of the various countries, should be extremely revealing in its conclusions.

### *The General Background.*

Besides these contemporaneous variations, there has, of course, been also an evolution in time. The adaptation of a country's government to the task of carrying out a war naturally has varied with the changes in the nature of warfare itself. When war was fought with small professional armies, for a long time composed mainly of mercenaries, the direct participation of a country's government in it was negligible. Governments did not even have to make sure of recruits, who were obtained by individual commanders; almost the only task was to see that the required funds for pay and supplies were available. The actual needs of the army were usually looked after by the military commissariat, and generally they did not exceed what could be obtained in the region where the fighting took place. With the establishment of national armies in the nineteenth century the government's share in raising and equipping them became more important. The rules of military service became part of the country's legislation; and in the measure in which mercenaries were replaced by temporary recruits, the duty of providing them with equipment and supplies became to a corresponding degree a direct charge of the country's government. But even then the size of the armies and of the required supplies were not such as to demand special legislative measures for executive organization. Government provided the means, but the actual work of organization remained in the hands and within the limits of the military machine. It was the enormous increase in the size of armies and armaments during the half-century preceding the World War that gave an altogether new character to the task of preparing for war.

In the measure in which a greater effort was likely to be demanded from a nation in case of war, the means and difficulties of accomplishing it had as far as possible to be foreseen; and having to be provided for in advance, in times of peace, the necessary measures had to be taken on the strength of the ordinary powers exercised by the responsible civilian authorities. At the outbreak of the World

War, therefore, every country, besides being in some measure provided for it, had also certain plans for satisfying such additional requirements of an eventual campaign as had been anticipated. In every case these expectations, whether concerning machinery or material or personnel, were baffled by the actual needs. The difference between the scope of those plans and the system of government actually evolved during the War gives a fair measure of the effect which the struggle has had on the structure and spirit of government in the belligerent countries.

For a clear survey it is convenient to group the trends and cross-trends of war government into two main sections. With few exceptions, their scope was to extend on the one side the powers of government and on the other the functions of government. Not unnaturally, it was the first group that had been anticipated above all, and planned in greater or lesser detail in every country, with ready drafts of bills and decrees, generally based on specific paragraphs of the constitution.

#### *Extension of Executive Power.*

The need for special powers was the problem of war government which came closest to past experience. It was therefore kept in mind, especially under the pressure of the military element, and provided for by adapting the required legislation to changes in the general form of government. As long as a country was ruled autocratically, with the head of the state as supreme and uncontrolled war lord, the formal and previous provision of emergency powers would have been superfluous. As nothing limited the executive power of the ruler, special measures were not needed for extending it in times of war. In the degree, however, in which sovereign power had passed to the nation, and the executive's power was limited and defined through constitutions, special enactments had to loosen those constitutional bonds and give the executive the political latitude assumed to be necessary for the efficient conduct of war.

The extent to which provisions to that end were prepared in advance varied greatly from land to land. In most of them the constitution had from the beginning been provided with clauses which allowed the suspension of some of its own guaranties in specific emergencies. Some of the countries concerned had left it at that. It

is not easy to discern the reasons which caused one country to go much farther than another in translating such a general permission into detailed laws and regulations, before the actual occurrence of the emergency. France, for instance, while greatly concerned with the possibility of war, had made hardly any legislative preparations for it. Her statesmen apparently shrank from facing public opinion with proposals which in the nature of things had to do violence to cherished constitutional principles—a violence which is bound to appear strange in the calm atmosphere of peace and to be, therefore, suspect and unpopular. Hence, down to recent years, this issue was approached only by the curiously circuitous discussion of whether in case of war Parliament should remain in session or its members should join the forces. After the Agadir crisis it became known that certain plans existed for adapting government to an eventual state of war. But they were not brought before Parliament so as to be invested with the sanction of law.

Austria, on the other hand, had from 1869 onward enacted a number of laws which culminated in the so-called War Service Act of 1913. The earlier legislation had already empowered the executive, with the sanction of the Emperor, to suspend each and every guaranty which private citizens enjoyed under the Constitution. The 1913 Act, which followed the German model and forecast the nature of a modern war, empowered the government to use from the outset the economic resources and equipment of the country for purposes of war. It was in keeping with the more systematic organization of German government that provisions for war government should have been elaborated step by step with the steady elaboration of the war machine which was going on throughout Europe. Hence, as regards man-power and supplies, the newer legislative preparation was but the political aspect of the corresponding enormous growth in material preparation. For the rest, the great discrepancy between, for instance, French and Austrian legislation may be explained only by the state of public opinion. A state which like Austria-Hungary had cause to doubt the response which large sections of the population would make to a call to arms, would not unnaturally be inclined to take correspondingly greater precautions. The anticipatory provisions for compulsion were likely to be, so to speak, inversely proportionate to the expectation of voluntary service. In the second place, the provision of such exceptional measures de-



pendent on the power of a government to obtain them in times of peace. In France, as we have seen, anxiety to eschew a struggle in Parliament was the main reason which held back successive governments from making legal provision for the case of war. Austrian government had other means and methods at their disposal for putting through unpopular measures, but even so the War Service Act had a very difficult passage through Parliament.

On the assumption that the conduct of war requires quick and unquestioned decisions, the trend of war government everywhere has been to furnish dictatorial powers for the executive and its agents. And as those powers were destined to serve the all-absorbing military object, the corollary tendency has been to place them in fact, if not in form, in the hands of the military. The second followed from the first—partly as a willing abdication by the civil authority and partly as a surrender imposed by the military authority. Their respective spheres of influence were seldom clearly defined; it was rather a matter of influence on policy than of formal responsibility for framing it. In most belligerent countries the mutual encroachment of the civil and of the military power upon each other's preserve never ceased until the end of the War, a circumstance to which we shall return later on. But, in brief, it may be said that typical war government has tended to be autocratic in form and militarist in action.

### *Restriction of Individual Rights.*

Literally speaking, therefore, it would be more true to say of war government that it does not so much enlarge the powers of the executive as it restricts the rights of the citizen. The efforts of generations have sought to limit excessive interference by the State with the private life of its subjects. In war the life of the subject becomes subordinated to the urgent and limitless need of the State, and therefore those safeguards become an anomaly. Nothing, not even the supreme preserve of religious conviction, has in general been allowed to remain outside the jurisdiction of war government. To make its sway secure, special legislation usually suspends the traditional prerogative of individuals and groups to be tried by their peers. But all that is merely the formal aspect of war government. The real business began with the steps taken to forestall any at-



tempt to serve any other interests or obey any other dictates except those of the State at war.

The State's task to this end has been made much heavier by the change in general conditions. Military science, even before its last experience, had decided that the whole course of a campaign would be determined by quick initial striking power. Rapid and unhampered mobilization was, therefore, the chief demand it made upon the government and services of the country. The Balkan Wars had revealed the extent to which military action could be endangered by the progress of modern means of communication. Spying has always been part of the military equipment; but the latest technical inventions and the great ease of modern intercourse have provided the profession of spying with means which are increasingly difficult to control, if only because their use is so widespread. There is, for instance, danger in the elaborate contents and the wide distribution of the modern newspaper, which in seemingly trifling items could reveal to the expert eye vital secrets of strategic plans. Moreover, these material dangers have grown together with the rapid spread of anti-war sentiment and doctrine among industrial workers in every land. The speeches and writings of Socialist leaders in pre-war days caused the military to fear that the intricate machinery on which rapid mobilization and action depend might be put out of order by acts of wilful sabotage. This anxiety was bound to be much deeper in countries like Austria-Hungary, which contained large groups of disaffected nationalities among their subjects.

Here again the precautionary measures kept step with the dangers they were to fend. The growing tendency to question the State's claim upon the individual citizen, and even its justification in going to war at all, was paralleled by the accumulation of measures which denied the right to such questioning in an emergency. The result of the equation thus was at each stage to neutralize the effects of constitutional government, and to approximate government rather to the conditions which existed when the rulers wielded absolute power. In France, indeed, certain groups never ceased to argue that the problem was less easy to deal with in a republic than in a monarchy. Under a democratic system it would be hard to achieve effective unity of view and direction as between the civil power and the supreme military command. *Make a King; if not, Make Peace*, was the title of a book which caused much discussion in

1913. "I do not believe," said M. Marcel Sembat, "that you can ever get from the Republic the qualities needed for a warlike policy." The significant corollary was that, with a warlike policy, one could not expect to retain those political conditions which constitute the virtue of democratic republican government.

With the declaration of a state of war—or "state of siege" in the French term, or martial law—constitutional government, therefore, was suspended in a greater or lesser degree in all belligerent countries. The governments used and interpreted the exceptional powers thus automatically acquired much as they chose, in the name of national security. Restraint was exercised and account rendered with regard to the material possessions of the citizens, but much less so with regard to their personal liberties. The censorship began by putting an end to the right of free speech; this was bound to be more drastic in the countries of Southeastern Europe, where that right had always had an uncertain existence. At first the restrictions applied mainly to military matters. This led soon to the practice of official *communiqués*—which later in the War became the nickname for every doubtful report. In Turkey, for instance, this was for a time almost all that the papers were allowed to publish. The interdiction of discussion and criticism was gradually extended to matters of supply and economic policy. These were questions which increasingly dominated the life of the belligerents, and in the same degree the subject-matter of enemy propaganda.

In the early part of the War the restrictions on free speech were not generally regarded as a hardship. The contending nations were filled with enthusiasm, and in an equal degree with anxiety; moreover, everyone expected the struggle to be short and was willing to give the leaders latitude to use every means for bringing the campaign, as it was hoped, to a speedy end. Even where parliaments remained in session the parties willingly accepted a truce, and in many places formed coalition governments. The only voices expected to be discordant, those of the Socialists, were stilled in France by the fear of German invasion, and in Germany and Austria-Hungary by the fear of Russian invasion. Fortified behind their exceptional powers and backed by the bewildered submission of the masses, the political and military leaders regarded every opposition almost as treason. The rare protesting voices were in the more tolerant countries merely ostracized; in Turkey, as in France, conscription was used as

a threat or as a means for silencing them; and the more impotent Serbian Government, in exile at Corfu, had to be satisfied with denouncing to the Allied Governments as *défaitistes* and pro-Austrians whosoever among its subjects showed the slightest opposition.

The suppression of the citizens' right to judge the government went hand in hand, as we have said, with the suppression of their right to be judged by their peers. Trial by jury was suspended in most of the belligerent countries, on various grounds. In the war zone it was naturally impracticable. But in Austria-Hungary and elsewhere the suspension was extended from the outset to the whole country, with complete disregard of the Constitution. When later, on the return of Parliament in 1917, the Austrian Government had to justify their action, they pleaded that mobilization and other war service had reduced excessively the panels of jurors. More suggestive was their further argument that of "those who were left, it was to be feared that they might yield to the increasing pressure of external influences and so take into consideration circumstances and events that had nothing to do with the business in hand, while day to day difficulties might deprive them of the quiet and calm of mind that form the most substantial assurance of passionless judgment of legal cases and justice that is impartial and independent." In the abnormal conditions of war life, almost everyone was actually or nominally a lawbreaker; and the weakening of the means of prevention led those responsible for order to have recourse to a hardening of the means of punishment.

In Turkey the substitution of summary military courts for the customary civil procedure was justified, not on the ground of insufficient jurors, but on that of an excess of social delinquencies. Dr. Ahmed Emin, who wrote the volume on Turkey in this History, gives a telling list of the indiscriminate class of misdeeds which were handed over to military justice. Courts martial were set up to deal summarily with all acts incompatible with public order and morals, such as "gambling, sending uncensored letters, smuggling arms, speaking in the street to unknown women, selling liquor to soldiers, drunkenness, selling above fixed prices, publicly insulting the great prophets, stirring up the different races against each other, resisting the orders of state officials, keeping bars open after hours, the presence of enemy subjects in the streets late at night, the purchase of stolen goods, and so on. . . . Penalties were not always those fixed



by law. . . . They were governed by the convictions of the military judges in each individual case." In Austria-Hungary a long list of offenses were made liable to trial by court martial—from high treason and *lèse-majesté* to wilful damage to public services, assistance to deserters, violence against or theft from members of the army, the gendarmerie, and police, and giving refuge to a person charged with any of these offenses. Here the suppression of the ordinary courts clearly aimed at providing a means to prevent disaffection in word or action on the part of the nationalities, and thus protect the military campaign as well as the services and activities through which it was supported in the rear.

The Austrian military tribunals administered the general criminal code, but the procedure was their own. Immense power was thus placed in the hands of the military commanders, and the effect was bound to be grave, with "such a comprehensive militarization of judicial and punitive machinery in a state so torn by national strife as were the mixed-language areas of Austria." Subsequently military courts were given competence in those regions where as a result of the war the civil courts had ceased to function. To some extent this was necessary where the civil authorities had been altogether withdrawn; but the result was to subject the population of wide areas for long periods to military law. The Supreme Command was not satisfied with that. On the ground that the courts were dealing too slowly with acts of disaffection, the military command appealed to the Emperor that "in Bohemia, Moravia, and Silesia, military jurisdiction should be placed under its supervision and instructions should be given for the introduction of field court martial procedure, as also in all cases where civilians were involved, in the military courts." This request, repeated soon afterward, was refused by the Emperor.

### *Parliaments in Eclipse.*

Dictatorial tendencies spread like eddies caused by the dropping of the stone of war into the midst of a country's placid pool of life. They passed almost insensibly from parliamentary to cabinet government, and from civilian to military dictatorship, factual if not formal; at the same time, they gradually covered ever wider sections of the surface of public and private activities. Both changes resulted



to some extent inevitably from the material conditions of war. The peculiar part of the change was that it was made easier and hastened by the willing surrender by the several political factors of prerogatives to which they had clung jealously in times of peace. One may in passing illustrate this with the typical case of France, just because in peace-time the Republican Parliament had been so refractory to every proposal intended to provide in advance special powers for an emergency. As it was, Parliament itself abdicated its right of financial control and gave the executive a limitless right to apply the rules of a state of siege, which in fact amounted to a virtual dictatorship. The distinctive side of the French case lay in that the change was not sanctioned by any enactment: Parliament really suspended its own function. That tendency was bound to go much farther in countries where parliamentary government was still immature.

In Serbia, under the blow of the War, political life ceased of itself, especially after the formation of a coalition government in December, 1914. Opposition was offered only by the Socialist deputies. Afterward Parliament moved first to Nish and then to Corfu, but in fact its functions remained dormant right up to the end of the War. The Cabinet was in any case not effectively dependent on it, as all its financial needs were covered by loans from the Allied Governments; though for the sake of decorum the budget of 1914 was voted anew each year. The only important internal event during the whole of that period—the Salonica trial and execution of a number of officers accused of plotting against the Crown—though a purely political event and one fraught with dangerous possibilities for the later peace of the country, was carried through in great secret, without any judicial safeguards or parliamentary sanction. Even the Declaration of Corfu, which laid the basis of the future Yugoslav State, though undoubtedly welcomed by all, was nevertheless devised and proclaimed by only a small group of Yugoslav leaders. In Turkey the Government's "bloc" blindly gave parliamentary sanction to any and every government proposal; criticism was tolerated only in secret sittings, and even then was simply passed over. The Austrian Parliament had stood prorogued since March, 1914. None of the responsible factors, of course, could think of calling it together, with the non-German deputies forming a majority, during a war against Russia and Serbia. The Government consisted exclusively of offi-

cials. They ruled by means of the so-called "dictatorship clause" of the Constitution, which gave them power to issue decrees with force of law pending the meeting of the Reichsrat. Thus the Government had a free hand to apply the prepared emergency legislation, holding itself during the first period responsible to the Emperor alone. How utterly irresponsible that standpoint was emerges from a statement made later by the Prime Minister, Count Stuerghk, that "he felt it his duty to give the old Emperor peace and quiet within the Empire during his closing days, and spare him any sort of innovation."

The limitation of representative government did not stop, however, at this system of dictatorial cabinet rule. Austrian precaution had evolved an organ which formed a kind of halfway house between civilian and military dictatorship. During the discussion of the special measures which were being prepared for the case of war, the Government, the Ministry of War, and the General Staff came to an agreement which was embodied in the so-called "Orientation Memorandum," dating from 1912. The preamble to this document gives a useful picture of the way in which the military object takes possession, in war, of the whole life and thought of a nation. Its purpose is described therein as being to "orientate all military and territorial commandants of fortresses, local authorities, financial authorities, post and telegraph officials, and the local gendarmerie of the Kingdoms and lands represented in the Reichsrat, as to exceptional regulations to be issued for the State as a whole in the event of war or when a state of war emergency was immediately imminent. As for the duties of the said commandants and authorities in the preparation and execution of the said regulations, these exceptional regulations had for their object not only the secrecy and security of all military measures that might have to be taken to prevent disclosure, disturbance, or unauthorized publication within the country; they were further to assist in carrying through all measures taken by the armed forces, and to put at their disposal all the resources available for their aid in the country." A new body was called into existence to direct that program—the War Supervision Office. It consisted of delegates from the Ministries of Finance, Home Affairs, Trade, Justice, Railways, and the Foreign Office; but at its head was a general of high rank, appointed by the Minister of War in agreement with the chief of the General Staff, and assisted by several superior

officers, and the Office as a whole was attached to the Ministry of War.

The second part of the "Orientation Memorandum" contained "Provisions for carrying out Emergency Decrees," arranged in groups. They included the "transference of the Political Administration to the Supreme Command; Temporary Nullification of Articles 8, 9, 10, 12 and 13 of the Fundamental Law [which laid down various constitutional guaranties]; Police Regulations for Passports and Registration; Possession of Weapons, Munitions, and Explosives; Suspension of Trial by Jury, and Extension of Court Martial; Temporary Subordination of Civilians to Military Law; Composition and Functions of Military Tribunals and the Establishing of Military Organizations; Measures to be taken in the Post, Telegraph, and Telephone Services in the event of War; Limitation of Railway and Sea Transport; Prohibition of Foreign Newspapers; Control over the Postal Service; Limitation and Surveillance of Telephones and Telegraphs"; and, finally, a number of regulations covering export and import embargoes. This short list of the fields in which the War Supervision Office was meant to act, together with its composition and its control by the military authorities, show that the parties to that agreement had already, in 1912, made up their minds that in Austria war government could fall little short of a dictatorship.

In no other country had the responsible factor gone so far in preparing the dictatorship as in Austria. That *ad hoc* central authority, destined to co-ordinate under militarist supervision all the agencies necessary for the internal control of the State, was unknown to the Constitution; it was never referred to the public either through a parliamentary decision or through the decree of a responsible minister. At the moment of mobilization it was simply there. All that the newspapers were allowed to say was that the War Supervision Office existed. The public was not taken into its confidence as to its nature, functions, or methods. From the beginning to the end, the Office and its activities were elaborately sheltered from public light by the press censorship; the censorship itself being an important branch of the secret activities of the Office. The first details to reveal the true nature and enormous powers of the Office did not become public till Parliament met again, in 1917.

That subordination of war government to military needs and in-



fluence was an old Austrian tradition. The military authorities had always felt suspicious of the way in which the government would protect the Monarchy in a case of emergency; and throughout his reign the old Emperor had stood by the view that war once declared, every Austrian government must meet with all the means in its power the demands of the Supreme Command, and that from that moment the life of the State must be viewed solely from the military standpoint. This view was approved by Count Stuerghk and shared by the Cabinet of officials over which he presided. As Professor Joseph Redlich says in his invaluable study in this History the Austrian Government regarded itself at first as the "passive, silent, dutiful instrument of General Headquarters." In thus resigning of their own will their functions and prerogative as the responsible executive of the country, the first Austrian War Government opened the way which enabled the Supreme Command to give effect to its doubts on the efficacy of civilian government in time of war. The emergency legislation gave the military an instrument for dealing with the problem in their own way. An Imperial Decree of July 31, 1914, empowered the army commanders in Galicia, Bucovina, Silesia, and Moravia to "issue decrees, give orders and enforce the observance of the same by those whom they concern"; and enjoined upon local authorities "faithfully [to] execute all such orders and regulations issued by the Supreme Command." Subsequently the scope of this decree was extended to the Tyrol, Carinthia, and the several districts in the Italian war zone, including Dalmatia. Its effect was to supersede civilian administration with military dictatorship in a large part of the Monarchy. Provincial officials, from governors to policemen, had to obey the dictates of the military commanders, and to reconcile them as best they might with the normal and legal state of things.

#### *Civilian v. Military.*

Such a duplication of authority, during times when needs were urgent and the means for satisfying them continually declining, exposed the relations between civilian and military authorities, local and central, to incessant friction. Within the limits of such actual power as remained to them, the civilian authorities often endeavored to mitigate the harshness of the demands of the military leaders and



their disregard of constitutional rights. Austria was not unique in this respect. In every belligerent country the military thought merely of how to seize for the needs of the army all possible resources, while the civilian authorities had to think of the needs of the population, and at times even remembered the requirements of future production. The success of one side over the other varied with local conditions and with the influence of the protagonists. Certain documents which fell into the hands of the governments of the Succession States, and which included reports from the Supreme Command to the Emperor during the years 1914 and 1915, have shed instructive light on events in Austria. They show that from the beginning of the War the Supreme Command "carried on a methodical campaign, first against the Stuerghk Government, and then against the actual conditions of government, administration, and justice in Austria. The General Staff did not stop at this; it endeavored by direct representations and the production of concrete plans based upon them, to bring about with all possible celerity a complete change in the internal institutions of the country. The primary object of these domestic efforts of the Supreme Command and the General Staff was to extend, above all to Bohemia, Moravia, and Silesia, the system already applied to the Galician war area and the adjacent districts." In the last war year they even tried to bring about the appointment of a general of high rank, to be endowed with special powers, as controller of Vienna and of the whole area of the State outside the war zone.

The whole correspondence containing the demands of the Austrian General Staff for militarizing the administration, if possible throughout the realm, is couched in very emphatic language, rising to acerbity when criticizing the administration of the State as carried on by the civilian and judicial authorities. The echoes of that internal antagonism have reached far into the aftermath. Most of the war memoirs, etc., reveal the military as being convinced that the civilians were responsible for failure or delayed success, and the civilians as having an equally definite opinion of the incapacity displayed by the military. Failures no doubt there have been, on both sides and everywhere. Yet the ultimate cause of this conflict hardly lies in a matter of personnel. The truth would seem to be that the utter absorption of a nation's resources and working power by the ruthless demands of modern warfare defies any effort to maintain

the more orderly and responsible bureaucratic husbandry of normal times. The usual political checks are apt to become, or to appear to be, military hindrances, and the impatient war-time impulse to remove hindrances fosters the growth of unchecked rule.

By shackling the normal means of political and judicial control, therefore, the governments at war open the door to the intrusion of irregular influences. When boldness is the only program and success the only test, the temptation is great for groups and individuals to make a bid for power—either to serve ends of their own or in genuine impatience with the circumlocutions of ordinary government. War government opened through its empiric methods the way to loose developments. There was no need to defy the letter of a constitution when it could so easily be ignored. That was especially so where the influence of the head of the state—the traditional umpire of politics and guardian of the constitution—also was shaky. In the Southeastern empires, Francis Joseph was too old to keep abreast of the whirlpool of intrigue which was seething around him; and Mehmed V was too impotent to attempt to get into his own hands a share of the sweeping war autocracy.

Both the form and the tone of this war dictatorship varied, of course, in different countries, and they varied, so to speak, in a fairly stable arithmetical relation to the forms and tone which the government of the particular country displayed in time of peace. It was to be expected, therefore, that in Turkey the system would go farther and be more unchecked than in Austria. In Turkey even the Cabinet, which before the War had been the most effective instrument of public control, had come to play so small a part that vacancies among its members were not filled for months, and meetings were often held with only four out of the twelve members. Important matters of policy were decided by a triumvirate—Enver, Talaat, Djemal—acting in concert, or separately in the sphere assigned to each. As the military chief, Enver played *ipso facto* the leading rôle and carried on the business of war like an independent dictator. Nor did even that rump Cabinet exercise undivided executive power. In the field of civil affairs the real control passed increasingly out of its hands into those of the secret, irresponsible, and self-appointed General Council of the “Party of Union and Progress.” Its members drew salaries and acted like ministers under a system of political division of labor. In effect they were more influential than the minis-

ters. Important appointments were made by the Council, and officials of every description found it more practical to take important and urgent business to the Council rather than to the regular departments.

From there the dictatorial trail thinned out into attempts at individual domination. For instance, Kemal Bey, the head of the party organization in the capital and the first food dictator, was the arbitrary controller of the whole economic life of Constantinople; he had organized the laborers into unions and with their support could impose his wishes at any time upon the Government. He had a rival in Ismail Hakki Pasha, the general director of the Commissariat, who controlled the whole huge machinery of army supply, as well as widespread economic matters beyond the war sphere. In addition there were other individuals and groups working in particular fields for ends of their own. But this situation was not peculiar to Turkey. If one were to delve below appearances one would discover realities painfully similar in almost every country of the region with which we are dealing. From the moment when representative government was gagged one can trace a continuous progression from exceptional emergency powers to non-parliamentary government, from that to open or veiled military rule, and thence to the factual dictatorship of small groups or of individuals. Once representative government was set aside as an instrument unfit for the conduct of war, no hard limit remained to check the regress toward absolute rule. Nevertheless the passage of time had left its mark on political life. Under the stress and veil of war the rulers could bring back the forms of autocratic government; they could hardly revive a belief in it as destroyed by divine grace.

### *The Retreat from Dictatorship.*

Overwhelmed by disaster, the peoples had given their rulers a free hand in the hope that more drastic measures would extricate them quicker from war. They willingly allowed unlimited powers, that is, for the speedy and effective execution of a limited task. When it became clear, however, that the task would be neither simple nor short, national enthusiasm was apt to turn into national despondency, and the erstwhile trust in the leaders to be eaten up by doubt. In the measure in which governments made ever heavier claims upon the



peoples, their subjects began to reclaim the right to know what use was being made of their sacrifices. Everywhere the demand for a return to popular government was connected with setbacks in the field, or with growing failures in the matter of home supplies. It is useful by way of comparison to give again an illustration from France, because there the change was brought about by normal needs and therefore most clearly shows the action and reaction of events. Already during 1915 there was a tendency to restore authority into the hands of those who were politically responsible to the nation. It was, however, in 1916, as a direct consequence of the costly battle of Verdun, that the basis of war government was not merely altered but actually reversed. In the first place, Parliament reasserted its control of the Executive in matters of policy and also of finance; and, in the second place, the Executive restricted the free powers it had at first allowed to the High Command. Still more significant, Parliament set up a direct control of its own at the front, through deputies acting as commissioners; the system being later so extended that, according to M. Pierre Renouvin, "the conception, direction, preparation and execution of military operations alone remained outside their competence."<sup>1</sup> It was a bold assertion of public power over military influence which bears proof to the sound elasticity of the French political system; especially as in this case also no attempt was made to force these improvised checks into the shape of permanent constitutional provisions. The experiment, it would seem, was repeated only in Russia, after the first revolution, though not for the same reasons.

One can trace in Central and Southeastern Europe the same relation between success or failure in action and influence in power. A victory at the front covered up discontent; a defeat brought it out like a rash upon the skin of national unity. But in the region with which we are dealing a new and unexpected factor hastened the reassertion of the popular will. After the spring of 1917 the political effect of the swaying battle line was altogether overshadowed by the effect of the Russian Revolution. We have seen how the fear of Russian invasion caused even the Socialists in Germany and Austria to accept the restraints of war government, and to use their influence with the masses in the interest of the military campaign. After March, 1917, fear of Tsarism changed among the workers into en-

<sup>1</sup> *The Forms of War Government in France* (Yale University Press, 1927).



thusiasm for the Russian Revolution. The reaction upon methods of government was instantaneous. In Austria, on March 18, new regulations mitigated the military discipline in the industries engaged in the manufacture of war material. This was the beginning of the retreat from war government. The Executive itself, with the approval of the young Emperor Charles, favored a relaxation of the dictatorship and thus the hedging in of the rampant military influence. The ominous War Supervision Office was rechristened the Ministerial Commission; but the change in name was not a mere feint, for though as such it continued in existence until the end of the War, it did so with greatly curtailed activities and powers. During 1917 various steps were taken toward a return to constitutional government, culminating in May in the convening of Parliament, after an exile of three years. One of its first actions (in which the Socialists co-operated with the Slav majority) was to refuse its sanction to the decrees which had abolished trial by jury and subjected civilians to military courts. Parliament went indeed farther and granted to civilians sentenced by military courts the right to ask for a retrial before the ordinary courts.

The re-establishment of judicial guaranties enabled the discontented elements to resume mass propaganda and action. The soil was ripe for it. The political temper of the masses, which had been kept on edge by two years of military despotism, was after the Russian revolution growing restive under a sense that in the East no less than in the West the Central Powers were now fighting countries more democratic than themselves. The first concerted mass action was a strike by Austrian and Hungarian workers in January, 1918, as a protest against the attitude of the Central Powers in the negotiations at Brest-Litovsk. By that time the trial of power had sufficiently swung round to force the Government to concede demands for a democratic peace and for greater freedom at home. In Bulgaria, also, the bad harvest of 1916 and Rumania's entry into the War helped Parliament to reassert, with some difficulty, its control over economic policy and supplies. After Rumania's defeat, and under pressure from the German High Command, the military elements regained the upper hand in the spring of 1917; as the stress and threats of the eastern campaign increased, the press was allowed mild criticism of economic abuses. In June, 1918, the military censorship was abolished altogether. As life became harder and defeat

more likely, the governments of Central and Southeastern Europe showed a willingness to share responsibility with public opinion. They saw that it was preferable to graduate disclosures, as well as criticisms, rather than wait for sudden revelations and violent reactions. But in the eastern region the ravages of war government had been so complete that political blood was highly anæmic, and the dictators themselves had to take a hand in restoring a similitude of political life. The Turkish rulers encouraged the formation of a moderate opposition; and when the peace movement began to gather strength in the West, the Government even asked a few supporters in the summer of 1918 to form a Socialist party which might act as a bridge between Turkish opinion and Left currents in the West. In Rumania, also, a group of deputies detached themselves from the all-powerful Liberal Party and formed in 1917, with the tacit blessing of the Government, a so-called Labor Party, for the similar purpose of providing a point of contact with the Russian Revolution. If their end was to be achieved, these *ad hoc* radical groups had to live up to their labels and to speak and act in Parliament as Socialists. Their improvised conduct, with the perplexed concurrence of the dictators, assisted powerfully, therefore, in demolishing the claims and reputation of autocratic war government.

### *The Frankenstein of Power.*

The fall of three autocratic and semiautocratic monarchs in Central and Southeastern Europe—to which might be added, as a fourth, the fall of the wilful Bulgarian King Ferdinand—together with the *débâcle* of the former ruling classes, completed the rout of authoritarian government. It weakened the influence of the rulers as well as the sense of obedience of the subjects, with far-reaching consequences for the aftermath. But the mainspring of the headstrong disregard for law and order in the post-war years can be traced, as a reaction, to the influence of war government as such.

In every country the disaster of the War had brought forth in full the civic spirit of the populations. The nations were willing to serve and to make sacrifices; and they were anxious to find disciplined and firm leadership. Every country had its pessimists and born grumblers. The masses, however, felt in that emergency a genuine desire to be able to pin their faith on their leaders. Out of a

deep instinct of self-preservation they burned the incense of an almost naïve trust before active leaders, in preference to thinkers. In 1915 Clémenceau the critic was ignored; in 1918 Clémenceau the man of action was worshiped. Yet there is an important and instructive point to be noted in this connection. Under Clémenceau the French Executive showed a strong hand and treated Parliament cavalierly, but it attempted no fundamental changes and kept strictly within the letter of the Constitution. Its strong hand thus had nothing in common with the dictatorial government of the first part of the War; in form it was rather identical with the régime of 1916-1917, with merely a firmer grip on policy. Similar observations elsewhere allow perhaps the point to be generalized. It would appear, therefore, that peoples and parliaments were willing to suspend the exercise of their rights in the degree in which they felt confident that those rights would be restored when the emergency had passed; that the executive would use its special powers, in other words, for dealing with the emergency, and not use the emergency for the acquisition of greater powers. Hence a phenomenon which at first sight appears paradoxical. That surrender was made more fully and willingly in the democratically advanced countries than in the uncertain democracies of Central and Southeastern Europe. But such impulsive surrender is conceivable only for a limited period; and, especially, only for as long as those who make the sacrifice feel convinced that it is not being abused. Perhaps nothing did so much to discredit the system of war government than the abuses to which it lent itself through the means of exceptional powers and under cover of the sacred national union.

The defects of war government were due not only to the opportunity it offered for illicit action by people who were waiting for the chance. In many respects it probably caused persons in authority to make against their will excessive use of their power. The very nature of war legislation invited in a greater or lesser degree disregard from both those who had to apply it and those who had to obey it. In Austria, for instance, until the meeting of Parliament in May, 1917, there were issued no less than 181 Imperial decrees, as extensive in scope as they were elastic in terms, and which profoundly altered the country's established laws. They were issued in rapid succession, to authorities who were unfamiliar with the motive and purpose of the lawgivers. While, therefore, the problems with which the administra-



tion had to deal increased vastly, there was a parallel increase and change in the principles and regulations relating to those problems. Even under normal conditions observance of the laws generally approaches perfection inversely to their number and complexity. Under war conditions, with reduced personnel and increased work, the many frequent and far-reaching changes almost forced officials to rely as much on their powers as on their instructions. This they were able to do because the usual checks and controls applied to the bureaucratic hierarchy were affected in a similar way by the excess of tasks and regulations. As policy became increasingly centralized, government, so to speak, became in the same degree "paperized."

It was correspondingly more difficult for the central authorities to follow up the fate of their instructions, especially at the hands of provincial officials. In far-flung and disparate states, like the Austrian and Turkish empires, influential provincial governors and high officials could use their great war powers as much for ignoring orders from the Central authority as for applying them to excess. One would expect to find the most typical examples in Turkey, and Doctor Emin gives an amusing description of the characteristic situation at Smyrna. "Rahmi Bey, its governor, was considered a party leader of the first class; and, as a governor, he felt free almost totally to ignore the existence of the War. He carried out, in his territory, only such general war measures as he saw fit. Enemy citizens were not interned in Smyrna; on the contrary, they were offered facilities to continue doing business. Military requisitions were refused authority, general measures regarding the distribution of food ignored, deportations of non-Turks were not made, and government inspectors were not admitted to the Smyrna territory. Indeed, it was more like some neutral neighbor State than a province of Turkey." Djemal Pasha ruled in the same independent way in Syria. General instructions were so openly disregarded by influential provincial governors, and the Government was so powerless to impose its will, that in October, 1916, the Turkish Ministry of the Interior was moved to issue the following warning: "The Government stands for a strict application of laws. Many officials are indulging in lawless acts. The right of property is interfered with in many arbitrary ways, in violation of the existing laws. The personal freedom of the citizen is violated in many places in incredible fashion. In some provinces taxes are raised and popular subscriptions



opened in violation of the constitution. As the Government conceives of the constitutional principle as one demanding an equal and strict application of laws, it has resolved, with this in view, to break down all obstacles in its way. Officials, whether great or small, who are found guilty of violations of the laws will be dealt with energetically. And, in the case of all, this is the final warning."

It would not appear that this document, more appeal than warning, had any appreciable effect. In other cases officials had to impress their power simply because they were losing authority. Not infrequently that loss followed directly from the tasks which public officials were made to perform. In Austria-Hungary for instance, they were instructed to act as canvassers for war loans; where the population was unfriendly, as in the Slav provinces, it was plainly not easy to draw a clear line between their authority as officials and their pleading as canvassers. They came to be regarded in those regions as serving alien interests, and their hold on local opinion and allegiance was correspondingly diminished.

In general, the assumption by the governments of dictatorial powers naturally caused the peoples to hold them coextensively responsible for the success of their policy. This was especially true with regard to the supply of necessities. At first official action was accepted because it was taken to work for efficient distribution. With diminishing supplies it was rather the irksome police aspect of that action which stood out prominently. Yet once official control was instituted the one followed fatally from the other. One may put it in the form of an analogy with the military problem. War government became more vulnerable in the measure in which it extended the front of its operations. It did not have sufficient trained and reliable reserves of personnel to put in that spreading line; nor did it possess material resources with which to furnish adequately the front of administrative action. But as it had insisted on assuming responsibility for everything, faults of omission and commission, as well as quite inevitable deficiencies, resulted in a corresponding loss of authority in the eyes of the subjects. The suffering masses increasingly doubted the wisdom or justice of executive decrees. In the same measure they felt less hesitation in trying to eschew them.

That psychological estrangement was perhaps as destructive in its effects as material inefficiency. War government was so engrossed with its tasks and so replete with power that it tended to lose touch

evermore with social and political trends of opinion. It either had no interest in them, or no patience with them, and therefore gradually lost the influence to bring them through mutual understanding and adaptation into line with the needs of the general problem. This mattered less where social claims and political opinion went into retreat, to a large extent voluntarily, for the duration of the War. In the mixed and unhappy empires of Central and Eastern Europe those claims and opinions, on the contrary, saw in the War an opportunity and justification for asserting themselves. The upshot was a vast and insidious process of disintegration, described as far as Turkey is concerned with brutal frankness in a secret report which Mustapha Kemal Pasha, then commanding an army corps, addressed to Enver Pasha in September, 1917: "There are no bonds left between the Government and the people. What we call the people are composed now of women, disabled men, and children. For all alike the Government is the power which insistently drives them to hunger and death. The administrative machinery is devoid of authority. Public life is in full anarchy. Every new step taken by the Government increases the general hatred the people feel for it. All officials accept bribes, and are capable of every sort of corruption and abuse. The machinery of justice has entirely stopped. The police forces do not function. Economic life is breaking down with formidable speed. Neither people nor government employees have any confidence in the future. The determination to live rids even the best and the most honest of every sort of sacred feeling. If the War lasts much longer, the whole structure of Government and dynasty, decrepit in all its parts, may suddenly fall to pieces."

Dictatorial war government thus suffered from the hidden disease from which autocratic rule has always suffered; though in this case it seems to have sprung from a tragic dilemma. The unparalleled and intolerable problems of modern war probably make the imposition of unchallenged executive control inevitable; yet the shutting of the safety valves of public discussion and criticism carries with it the risk, if the strain becomes excessive or if the effort fails, that the sense of popular discontent may reach the pitch of revolt. The strain of a lengthy modern war, therefore, is apt to be both the seed which gives birth to dictatorial rule and the germ that kills it.

## CHAPTER V

### THE RISE OF FUNCTIONAL WAR GOVERNMENT: ITS SPRINGS AND ITS STRUCTURE

#### *The Springs of Functional War Government.*

WE began the previous chapter by saying that the evolution of government in the late War had followed two distinct general trends. On the one side it showed an extension of the powers of government, and on the other side an extension of its functions. On the whole, the first may be said to have kept fairly close to past experience. There was perhaps a more elaborate preparation and application of executive measures, but that was only natural in proportion to the wider constitutional safeguards and arrangements which war government now had to displace; and one can trace a significant recoil from dictatorial government in the measure in which the task became harder and the morale of the nations had to be lifted and their devoted co-operation enlisted. In comparison with the past, therefore, modern war government was politically and in relation to the now customary popular government at first more drastic, but in consistence it was less solid. It was installed not by right, but as an emergency concession on the part of the legislative factor; and it was demolished by degrees as the latter recovered confidence that it could do as well or even better than a dictatorial executive. Essentially, however, the changes in the political sphere moved within accustomed limits of government in a state at war. The first line of evolution, therefore, was merely a variation. The second was definitely a mutation.

The farther we recede from the War years and obtain a historical perspective, the clearer it becomes that the essential characteristic of government during the World War has been the extension of its functions, not only beyond all previous experience but also beyond all previous expectation. That second line of evolution embraces all the more significant trends of modern war organization; and from it have flowed therefore all the deep effects on economic and on social life. In a preface to the official collection of Austrian war laws, Count Stuerghk said that "one could name no branch of public administration, and hardly any field of private activity, in



which war has not caused changes and demanded changes. The measures of the government had to be as numerous, as varied and far-reaching as those changes themselves, so as to adapt law and economics to the imperative needs of the times." And Professor Redlich, referring to the detailed volumes of Austrian reports and regulations, says that "the range of problems and the steps taken to meet them enable one to see, in an extraordinary mosaic, the complex and manifold effects of modern war on the entire social life of a highly civilized people."

The novelty of the situation is amply proved by the fact that most, and in certain countries all, of those services and measures had to be improvised. The political and police measures had been thought out in advance, and when war broke out were imposed by the government upon the country. Of the economic measures it may rather be said that they were imposed upon the government by the problems and conditions of the moment; and in some cases they were applied only as a result of pressure from parliament, professional organizations, or public opinion. During the Balkan Wars, which had preceded the World War by only one year and had been fought by states all of which were involved also in the latter, no such problems had arisen. There was no intervention of any kind, however small, on the part of the governments at war with the production and trade of their countries.

The customary war régime centered wholly round the military campaign, and aimed merely at insuring order behind the front. Economic preparation was not envisaged, possibly also because war preparations had always been regarded as a strictly military secret and were not disclosed even to the heads of the civil administration. Nor was the magnitude of the new problems realized when war broke out. Partly this was due, no doubt, to the general expectation that the struggle would be short. Partly it was due to a desire, natural enough under the prevailing economic outlook and system, to interfere as little as possible with economic life. Above all it was certainly due to the absence of any vision of the new character of warfare. With its gradual realization, the two lines of war government evolved inversely to each other. As the war lengthened and needs increased while supplies lessened, the police régime was made lighter; the governments were forced to seek the wider co-operation of the public in adapting economic and social life to the emergency. And as



that adaptation proceeded, the economic organization of war government became every day more stringent.

The lengths to which that system was taken differed in the several belligerent countries. Already there had been a difference in the measures forecast. While in this field France had prepared nothing, Austria-Hungary possessed in her emergency legislation the embryo of an economic war system. That was due no doubt to the fact that her bureaucratic system was more experienced and influential than that of the Republic. The later differences arose naturally out of the great difference in the position of the two groups of belligerents. That of the Central Empires was without parallel in history. Two highly developed empires, with together 120,000,000 inhabitants, found themselves in the position of a beleaguered fortress. Their governments were faced with an enormous and unprecedented task. In both of them, moreover, the military factors enjoyed exceptional influence; they had a boundless belief in their own rights and power, strengthened if anything by their initial successes, and an equal contempt for the civilian factors, which caused them to withhold the much-needed sincerity from the departments concerned with economic administration. The latter not only had to improvise, therefore, means and measures for dealing with problems which had been thrust upon them, but they often had to improvise them without being in a position to know the true range of those problems.

### *The Task.*

The essential task of economic war government was twofold. It had to secure all the material resources which were required for the military campaign. And while attending to the military demands, it had to mitigate their effects upon the vital needs of the civilian population. Within these two fields the course of economic war government was influenced by a great variety of motives and needs. The military purpose itself had a double aspect, one positive and the other negative; and the second was in fact chiefly responsible for the earlier measures of control. Under the existing systems most armies proceeded at the beginning to secure their own supplies. Upon the governments devolved, however, the task of hampering as far as possible the supplying of the enemy armies. The first and immediate control of trade, and especially of exports, was therefore not always

due to shortage; perhaps the existence of large stocks, whether of raw materials or manufactures, hastened if anything the application of measures to prevent them from reaching enemy countries. The restrictions upon transit and exports had in most cases been provided for in the prearranged emergency measures, and came into force automatically with the order of mobilization.

Up to a certain point, provision had been made in advance also for the purpose of securing the needs of the army. These measures were to prove, it is true, wholly inadequate, as we shall see; but the point is that just because of their limitation, no doubt, they had been left to be worked out and applied by the military authorities themselves. Faced with war on all sides, the military were on the Continent tempted to make up for the lack of reserve stocks of supplies by excessive use of their powers. Their one idea, not unnaturally, was that the army must lack nothing; their actions soon threatened to deprive the noncombatants of most things. There was a definite relation between the lack of economic preparedness and the excess of military requisitions. Perhaps Turkey was less well prepared than any other belligerent to face the economic consequences of a long war; and she was further handicapped by inadequate resources and transport facilities. From these circumstances the military drew the conclusion that everything available must be used at once and fully for military ends, so as to help to bring about a quick decision in the field. Hence existing resources were squandered without any provision for their replacement. The hasty and excessive mobilization not only led to much personal suffering, but also caused much of the abundant 1914 harvest to be wasted. The whole action was dictated not by actual military needs but by the ruthless and thoughtless assertion of military power. In the less democratic countries the military were resentful if everything was not brought at once under their control. There is the typical case of the Austrian paper industry. Though it was in no way connected with the conduct of war, the War Ministry protested against the formation of the syndicate of paper manufacturers and against not having, like the Trade Ministry, a delegate on its executive. It is no less characteristic of the trivial jealousies of power, even during a life-and-death struggle, that the quarrel lasted well into 1918; it was ultimately settled by an absurd compromise through which the War Ministry secured the right to send a delegate to all the meetings of the syndi-

cate, while the Trade Ministry scored in that alone its own delegate had a right of veto.

From the beginning the actions of the military authorities created chaotic conditions in the economic life of the countries with which we are concerned. To insure a plentiful supply for their needs those authorities placed orders far exceeding their requirements. Many manufacturers proved only too willing to accept them, not necessarily to derive profits from this, but because working for the army gave them a priority of claim to raw materials and labor, and this enabled them to work also for their ordinary private customers. The inroad of the military authorities upon existing stocks of materials was such that in many cases the industries concerned had to set up a controlling organization, so as to secure the most elementary private requirements. The jute and flax syndicate, for instance, was created in Austria in 1916 when on the whole the industry did not suffer from any shortage of raw materials, but was almost incapacitated from satisfying the needs of agriculture and of other branches of production because of excessive military demands. These were the more wasteful as the military purchasing machine was in itself frequently primitive and wasteful. In Austria, for instance, there were in the War Ministry four different sections engaged in purchasing cotton and cotton goods; and, in addition, a number of services which placed orders without knowledge of the general position and of each other's activities. A characteristic consequence was that the Austrian Engineering Corps continued to order and to use cotton bags at a time when in Germany more than 50,000,000 paper bags had already been manufactured for the same purpose—and that in spite of the protest of the Cotton Central. It has been estimated that some 20,000,000 meters of cotton cloth were used in that way for bags, while the soldiers suffered severely for lack of underclothing.

Still more flagrant were the cases in which the wastage was due not to lack of foresight or organization, but to the deliberate actions of the military authorities. The Austrian authorities purchased in 1915 a large quantity of fats from Holland. Because the Austrian industry could not finance the whole purchase, nor promise to supply in exchange for that raw material the quantity of glycerine demanded by the War Ministry—which was in excess of that contained in the purchased fats—two-thirds of the whole quantity was resold to Germany, although the shortage was already acute in



Austria. The Committee for food control set up by the Bulgarian Government in August, 1916, found itself faced with a contract granted by the War Ministry to an Austrian subject and allowing the latter to export any quantity of pig meat and offal, in return for an obligation to supply the Bulgarian army with lard. It was only after a long struggle with the Ministry of War that the Committee was able to cancel that dangerous contract. Likewise, the Committee was confronted with a supposed agreement between the Bulgarian General Headquarters and the German military authorities, permitting the latter to export anything they wished from Macedonia and the Morava valley.

### *The New Problems.*

The demands which the War made upon the economic resources of the belligerent countries very soon exceeded the normal capacity of the machinery of production and distribution. From the husbanding of existing supplies the governments had to pass to the opening up of fresh sources of supply. At this point the military régime was bound to fail altogether. It was one thing to have power to seize existing materials and stocks; it was quite another thing to create new sources of supply and to organize distribution. Another motive for the extension of the functions of war government was therefore the need of securing as smooth as possible a working of production. We have an instance, in appearance the very opposite of those mentioned before, in the action of the Austrian Government with regard to wool. In October, 1915, all the available stocks were declared as formally seized for war purposes. This was made necessary by the fact that a few powerful mills had accumulated stocks so large that they could not be worked before the second winter of the War, while other mills were idle for lack of raw material. The measure was also intended to insure respect for the maximum prices, which had been frequently exceeded by the purchasing mills. This and similar action proved further indispensable as a means of continuously adapting production to the changing nature of the available raw materials. A corollary of this point was the concentration of production at those mills which were situated near the coal fields or near sources of water power, when the shortage of coal became acute. Within a similar category fell the need of insuring the needs of services which were of



public importance, though not concerned directly with the conduct of war. Both in Austria and in Hungary the first measures for the control of paper production and distribution were inspired not by the state of the market, but by the desire to insure the regular work of the press.

A rough dividing line in the purposes of war government was that separating measures for insuring satisfactory production from those destined to promote fair distribution. An important place therefore among war measures were those intended to regulate prices. As soon as the first depressing effect of the war had passed prices began to rise, especially those of foodstuffs, and continued to do so to the end of the war when not checked by official measures. We shall have occasion later on to see to what extent these measures were successful, and to note the conflicting mutual reactions of the restrictive measures as regards production and distribution upon the measures tending to depress the price level. But in war conditions the latter were probably inevitable, both from the standpoint of the public finances and from that of internal politics. It was feared that the growing dearness might cause discontent and even unrest behind the front. Hence public opinion had to be placated by a social policy intended to keep prices down; and to prevent this from affecting production and supply, public control had, if only for this reason, to be extended also to them. To these social considerations was added the problem of exchange. Each depreciation of the currency was reflected in rising prices; by checking the second it was hoped to prevent the first.

A final set of motives for the extension of war government is of special interest. Apart from national problems and requirements, the peculiar economic organization evolved during the War was literally forced upon the governments by the extensive interdependence of the more developed states. And as in this case the problem did not arise from the conduct of war, but out of general economic conditions, the consequent measures had to be adopted by neutrals as well as by belligerents. The chaotic conditions due to panic or to profiteering within the several belligerent countries threatened to reproduce themselves also in international trade. Both groups of belligerents set up in Bulgaria and in Rumania open or veiled organizations for the purpose of buying up and exporting foodstuffs. Frequently these agencies were created by the military authorities

themselves. In appearance they acted within the letter of the law. In fact they used every means and avenue to export as much as possible beyond the quantum legally allowed to them. Control was not easy, especially where the Central Powers were concerned, as in their case exports used mainly the Danube route and all the means of transport were in their hands. Both Rumania and Bulgaria, therefore, found it necessary to establish some official control of supplies through semipublic organizations long before they joined in the War. Similar conditions were reproduced in the northern countries, Holland and Denmark, which had become the chief depots for overseas produce. Competitive buying by the belligerents threatened to disorganize local supplies, or at least to bring about a severe rise in prices. The Dutch and Danish Governments, therefore, had not only to institute measures of control, but also to press the Central Powers to concentrate purchases in the hands of recognized organizations. In the case of oils and fats, for instance, export was formally prohibited, and exceptions were granted only to agencies acting in an official capacity and for the satisfaction of general needs.

One last motive of official control was peculiar in that it covered materials and goods which were neither deficient nor greatly required. Control was extended to them also, however, so as to make use of them for a compensating exchange against necessary imports. This system of barter took considerable extension among the Central European group of belligerents and was responsible, therefore, for the spreading of war control even to goods and materials which could least be classified as war materials or necessities.

### *The Structure of Functional War Government.*

In discussing the reasons which caused the rise and growth of a new kind of war government, we have indicated only such of them as were generally valid. In addition, each belligerent country had of course to wrestle with special problems of its own—according to its greater or lesser dependence on outside supplies, to its access to or isolation from their source of origin, to the greater or lesser efficiency of its administration, to the degree in which it could command the support of public opinion or had to reckon with possible disruptive activities, and so on. In the same way, local conditions as regards reserves of materials and labor, the state of the means of pro-

duction, political tradition and the relation of forces between property and government, or between the military and the executive—all these were reflected in variations in the structure of war arrangements for the control of economic matters. Detailed studies concerning some of the countries involved have appeared in this History. Our purpose is not to repeat or to supplement here the facts contained in those studies, but only to extract from them, and from general knowledge and experience, some indication of the more characteristic tendencies and implications. If the illustrations used in the following pages are derived mainly from Austria-Hungary, that is due chiefly to the character of the region with which we are concerned. In Southeastern Europe all the belligerents entered the War with a rather primitive economic and political organization. Neither their economic nor their political structure therefore called for, or allowed, a comprehensive reshaping of the machinery of government.<sup>1</sup> In this respect Austria-Hungary presented the very opposite aspect. Of all belligerents she probably had to make the greatest economic effort, and as she had a highly efficient and influential bureaucratic system, it was but natural that each difficulty should call forth a bureaucratic response toward solving it. Hence examples from Austria-Hungary lend themselves especially well for illustrating the more far-reaching tendencies and phenomena of economic government in war, and the arrangements made by her to that end form perhaps the most complete case of its kind.

Executive interference with economic life during the War displayed a whole scale of intensity. At its lowest end it began with the measures which had been laid down in advance as part of the general military preparation. They were concerned almost wholly with army supplies, and in planning and execution they were altogether in the hands of the military authorities. From that stage to the elaborate and towering superstructure reached at the end, economic war government passed through a long and varied gamut of forms and degrees, too manifold, even in one and the same country, to be nicely classified in fixed categories. Very generally one might say that those

<sup>1</sup> It might be added, moreover, that in these countries the documentary and other material is insufficient or unreliable, a circumstance which explains some of the gaps in this series; and, finally, that because of the looser administrative structure, control, and traditions in these countries, many actions of local and other authorities were not formally ordered or formally recorded.



forms fell into three groups. The first and the simplest group consisted of measures intended to make possible a stricter use of the powers and functions which already belonged to the executive, with perhaps a certain straining of the letter of the law. In the second group entered functions which were new—or were so extended as in effect to be new—but which could be more or less fitted within the existing administrative framework. With the third group we enter upon original developments in economic war government: new functions calling for new forms of organization, whose significance did not cease with the end of the conflict. Of course the groups were not watertight. Up to a point the change passed in a natural way from the first group to the second and thence to the last, in a sequence of gradation corresponding to the gradual widening of a particular task. The provisioning of the army with munitions, for instance, passed through continuous rearrangements simply because the quantitative growth of the demand had outstripped the old means of supply, quite apart from additions to the instruments of war. But when we come to the systematic concentration of the means of production and distribution of a whole country, and still more to international experiments in that sense, we are faced with a phenomenon which has made history in the economic sphere.

### *The Military Method.*

All armies were provided with certain reserves for the case of war; they included, besides munitions, clothing and even tinned food and biscuits. Probably most countries had also made with the industries concerned certain preliminary arrangements for additional supplies of that nature, in case of war. In Austria-Hungary the military authorities had entered into definite contracts with individual firms, or with a special cartel of firms in one industry. Occasionally small producers were included in those cartels. This erstwhile scant preparation took a great leap with the War Service Act adopted in September, 1912. Its provisions, in effect, placed the whole population and all the resources of the country at the disposal of the military machine, "when the needs of the armed forces cannot be satisfied in a normal way, that is, in the way which is customary in peace time, without delay or without an excessive increase in cost." The military were empowered not only to requisition individual objects but also



to take over and to run factories and works; they could either, at their own choice, oblige the owners to carry on in behalf of the army, or they could place works and personnel under military administration. The Austrian War Service Law, it will be seen, gave the military authorities powers without limit. But it could hardly be said to have created something new in the economic field. It merely consecrated a full swing back to an absolutist system, probably inspired by fear of political sabotage at the outbreak of war. It showed no sense of the new problem, and therefore it did not lay down a new economic policy and a corresponding organization. On the contrary, it concentrated on powers rather than on functions, and was thus devised to subordinate the machinery of government to the military authority. Its central idea apparently was that the most complete organization of war economics was achieved when placed fully in the hands of the military power. It neither considered means for replenishing supplies nor took account of the needs of the population. Industry and noncombatants were left to look after their own needs as best they could.

According to the conception of that otherwise drastic law, the economic organization of the State for war exhausted itself with powers of requisition and of compulsion to make people and industry give what the war demanded. Those responsible for the plan had only one other concern: to protect as much as possible the public finances. Compensation for damage or requisition was to be fixed not by judicial methods but by the final decision of a commission of officials dominated by the delegates of the War and Finance Ministries. In keeping with the principles of that law was the special agency created for its application. All decisions connected with the exceptional war measures were to be taken by the War Supervision Office, described in the previous chapter. The Office was to be a central organ under military direction which made up its own mind and then only announced it to the departments concerned, with full authority over all military and civilian organs.

The arbitrary use by the military authorities of the War Service Law, when applied on the scale of modern war, very quickly confused the economic life of the country. Hence the civilian administration had to be brought in, in an endeavor to restore some order in production and distribution, to devise a system elastic enough under the new conditions to be adapted to the circumstances of each indus-

try. The first measures in the actual field of war industry were not taken until the beginning of 1915. The prearranged cartels for the supply of the army could not cope with the unexpectedly heavy demand, and the authorities had to place orders outside those groups. Many contracts were secured by doubtful intermediaries, with the result that the industries working for the army in a regular way began to have difficulties with raw materials. To meet their complaints the military authorities had to resort to requisitions. Firms not working for the army were uncertain of their supplies. With the decline in the foreign supply of raw materials it became urgent to replace haphazard requisitions with a systematic plan for the use of internal supplies. The effect of military interference might not have been so serious if industry could have arranged its work on the basis of some proper estimate of the army's requirements. That was not possible because the War Office did not have such a program. It had been accustomed to have its demands satisfied without difficulty, and had not thought it necessary to prepare in peace time an estimate of its probable needs and of the demands which in war time it would therefore make upon industry.

#### *The Functional Method.*

Early in October, 1914, an Imperial Decree empowered the Austrian Government to take all the measures it would deem necessary for the furtherance of production and for satisfying the needs of the population. These powers did not go beyond those laid down in the War Service Law, but they were given this time to the country's regular government. A point worth noting is that ordinances based on this decree were to be valid not merely till the formal signing of peace but until the return of normal conditions. It was a first recognition of the likelihood that the economic consequences of the War would outlast the period of actual fighting. The essential functions of these new war economics, as gradually worked out, were four. First, all raw materials available in the country had to be put under control, so that nothing should be used for purposes that were not essential. Secondly, all possible foreign raw materials were to be secured, either through purchase from neutral countries or through seizure in occupied territories. The third purpose was to organize production so as to produce at home all that was indispensable, and

unobtainable elsewhere. New methods had to be found and perfected where the old technique was inadequate. Finally, substitutes had to be found for materials which were needed but which were difficult to procure.

Official control began in almost every case with the taking of a census of stocks of raw materials, with the obligation for their owners to report them. The second step was the placing of restrictions upon the sale and manufacture of those stocks. The next step was to require the owners of certain raw materials and goods to offer them within a definite time limit to the war organization of the industry concerned. In the case of native raw materials the system amounted in effect to confiscation; in a few instances this was in fact decreed for the whole national production. But this internal control was a relatively simple problem. The setting up of special economic agencies was forced upon the belligerent countries rather by the severe dislocation of the supply of foreign raw materials. In this Austria-Hungary was especially hard hit, as Germany had been very quick to restrict the export and transit of raw materials all round. The actual conditions of the war had been so little foreseen that the allied Central Empires had not arranged to make any exceptions for their mutual benefit in those prohibitions, though a large part of the Austrian imports in foodstuffs and raw materials from overseas and from the northern neutral states came normally through German and Dutch channels. This difficulty was removed by the agreement concluded between the two empires on September 24, 1914. The arrangement raised complex administrative problems with regard to purchase, financing, and distribution, clearly beyond the capacity of the ordinary bureaucratic machine; the document therefore definitely stipulated that Austria-Hungary was to set up special agencies, on the lines of those already created in Germany at the instance of Walter Rathenau. From October, 1914, Austria-Hungary established "Centrals" for the various industries, which were to handle the raw materials required. Unlike the German models, in Austria the State did not participate in these Centrals with either capital or guaranties, the Minister of Finance holding the view that it was the business of the industry to finance its purchases. At the same time these organizations were given the form of so-called "common utility limited companies," or corporations. This



semipublic character found expression in the presence of delegates of the War and Trade Ministries on the board of directors, and of special official delegates, with a right of veto on grounds of public interest, at every meeting of the board. The confirmation of the veto rested with the Minister who had sent the delegate. Further, dividends were not to exceed 5 to 6 per cent on the share capital; the remaining profits were to go to a reserve fund to be used after the war for public purposes, at the discretion of the Government.

The industries which depended largely or wholly on foreign raw materials developed, through these Centrals, the beginnings of an autonomous administration. From the outset each industry participated in the work, which was carried on by special organs, even though the Government had the ultimate right of decision in all essential questions. Besides these Centrals, with their purely commercial activity of buying and distributing raw materials, there came into being a second kind of autonomous body. The War Unions, later called Industrial Unions, had a semiofficial administrative character. They were set up by ministerial decree and included compulsorily all undertakings engaged in the manufacture of a particular article or in the transformation of a particular raw material. Their function was to advise the military authorities, to initiate war measures, and to assist in carrying them out. These functions varied to some extent with the conditions prevailing in each industry; in one case—oils and fats—they included even the regulation of retail prices. Each Union was directed by a committee, most members being elected, while a limited number were appointed officially and so arranged as to give representation to all the interested groups; and by an executive appointed by the Minister of Trade from among the members of the Committee. The essential idea of the structure was that the Union should be directed by leaders of the industry who at the same time enjoyed the confidence of the Government, while the elected committee was the organ of the body of members. Official control was exercised through a commissary appointed by the Minister of Trade; and during the duration of the war also by a commissary of the Minister of War, in the case of those Unions which were concerned with the supply of war material. In general the war Unions were thus autonomous industrial bodies working under official guidance and control, and functioning partly as advisory and



partly as executive organs of the economic administration. But their tasks were always purely administrative, without any trading or money transactions.

In certain cases the special organization consisted merely of a war or industrial committee, without a formal Union, especially in those branches of industry which contained a large number of relatively small undertakings or presented other obstacles to the formation of a Union. Yet another form of war organization was that of self-governing industrial bodies without commercial functions. The first of their kind was the War Committee of the chemical industry. In this case a special difficulty arose from the fact that raw materials were needed for a great variety of branches of that industry, and also from the action of the War Ministry, which had assumed control of the more important undertakings. There seemed in this case no room for a raw-materials Central; instead the War Committee was to be a consultative advisory and expert body at the disposal of the Ministry of Trade for all problems caused by the War in this branch of production. A fourth type was represented by the Centrals for distribution. Their task was to take over and to distribute in accordance with certain fixed rules the production of an industry, or that part of it which was left for the use of the civilian population. Prominent among this type was the body concerned with the control of foodstuffs. Difficulties with the food supply had arisen already in the autumn of 1914. But the Minister of Finance opposed the use of public means for the establishment of an agency on the lines of the industrial Centrals, and it was not until the following spring that such an institution came into being. It was a Central which had to take over and distribute all supplies of corn and flour, working on a commercial basis. A Central for fodder was set up on similar lines in the autumn of 1915. The Minister of Finance continued to refuse the use of public money, but gave a veiled guaranty to cover an eventual difference between income and expenditure; in that way a basis was created for bank credits, while avoiding budgetary complications. A similar process of indirect state management of both production and distribution was being applied through similar Centrals over the whole field of industry and commerce, and the distinctions between them and the agencies for the handling of foodstuffs were indifferent.

*A Bird's-Eye View of the Structure.*

Professor Redlich, who considers that the working of these economic Centrals was the distinctive achievement of war administration, gives the following summary description of their number and kind:

According to official publications, at the end of the War there were 91 such Centrals. Twenty concerned themselves with agriculture and agricultural production; 15 with textiles; 8 with paper and printing; 13 with chemicals, oils, and fats of all kinds; 6 with hides and leather; 13 with metals, machinery, tools, asbestos, and petroleum; 4 with stone, clays, and building; 3 with wood and cork; and 7 with trade in general. A special war organization, the Exchange Central, dealt with transactions in foreign currency. There was also a body representing the interests of organized consumers.

The Centrals may, again, be classified according to their organization. There were

- (1) thirty-four War Combines;
- (2) nineteen Centrals and Commissions (in part, State-formed Cartels), whose members were appointed by the Government from representatives of the industrial branches concerned;
- (3) fourteen Economic Boards, whose members, again, were some of them members of branches, appointed by the Government, and some of them representatives of special interests;
- (4) twenty-one War Centrals, limited liability companies, endowed with powers by the State;
- (5) the War Grain Control Board, Fodder Board, and Vegetable and Fruit Board of the Food Office, which had special positions, and were managed by government officials.

The Centrals may, again, be classified according to their activities.

- (1) The Combines were State cartels, formed by decree. All undertakings using the same raw material were compulsorily made members of their respective trust. Concerns using more than one raw material belong to more than one trust. Formed by the State, these trusts had to collect statistics upon production and consumption, the use and distribution of raw materials and semimanufactured goods. They assisted in fixing prices, advised the Centrals in giving out contracts, and coöperated in a vast number of questions of an economic character, *e.g.*, trade policy, public welfare, demobilization, and the return to peace conditions. Their work was purely administrative and they exercised no commercial functions.

(2) The Commissions, like the Combines, were called into being by decrees which prescribed their functions; unlike them, however, there was no compulsory organization of the industry in their case; they were State agencies under the standing control of the appropriate Central, and supervised the exchange of the raw materials assigned to them.

(3) The Boards represented the interests of certain branches of trade and industry. Their function was consultative, primarily.

(4) The War Centrals were private, limited liability companies, and it was their business to bring about the exchange of the raw materials assigned to them. In general, the central purchase of raw materials was in the monopoly control of the Central, while its distribution to the industry using it was assigned to the corresponding Combine. Apart from the control exercised over them by the State, they were private institutions, the activities and organization of which were regulated by articles of association countersigned by the Ministry of the Interior.

(5) Legal Corporations, *i.e.*, the Sugar, Alcohol, Molasses, and Chicory Root Centrals, acted as official distributive agencies for the uniform handling of specific groups of goods. Only the Centrals referred to under (4) were on a profit-making basis.

The actual organization of war economy was not based either in Austria or in Germany on a unified plan thought out in advance. The broad, guiding ideas underlying the whole structure were, however, clearly apprehended within a few weeks after the outbreak of the War by a handful of far-seeing economists and public servants, who grasped the special character given to the struggle by the enemy's land and sea blockade. There were two determining postulates. In Germany, Walther Rathenau, a great thinker and economist, was the first to perceive the necessity of a planned interposition of the State over the whole area of economic life, in order to control and secure the supply of raw material for war industries. On this followed a recognition of the urgent need of safeguarding the food supply, both of the army and of the civil population, through State management of agricultural production. Actually, the war economic régime of the Central Powers was neither more nor less than the application of the principles and methods historically employed in beleaguered cities, on a scale so immensely extended as to constitute a phenomenon qualitatively as well as quantitatively new.

### *The Link with the Aftermath.*

The problem, tersely put, was how to give the intensely heightened economic effort demanded by the War, with the normal channels for the supply of materials and labor and for the distribution of



the finished goods severed, or at least thrown out of joint. The longer the War lasted, the deeper was the disturbance it caused in the economic system; and the clearer it became that the readjustment to normal conditions after the peace would be a slow and painful process. The efficient Austrian bureaucracy therefore added to the economic war system a superstructure for the task of reconstruction. The beginning was made with the appointment in March, 1917, of a Commission for War and Transition Economics. Its purpose was to work out a unified line of official policy and action. Great weight was laid upon the need of enabling the Commission to take authoritative decisions. Its chairman was, therefore, the Minister of Trade himself, and its members consisted of the heads of those sections in the various government departments chiefly concerned with problems of war and reconstruction. Moreover, the Commission was made responsible directly to the Cabinet. It was provided with a special secretariat, which as the General Commissariat for War and Transition Economics attached to the Ministry of Trade was entrusted with the preparation of the necessary measures and bills. The Commissariat could employ outside experts for specific tasks. Because of the great importance which questions of social policy were bound to acquire, especially in connection with unemployment, the chief of the Social Section in the Ministry of Trade acted as assistant to the General Commissary.<sup>2</sup>

Of special interest were the devices for linking up the Commissariat with private industrial interests. The Commission naturally had the whole administrative machine at its disposal, but all the departments were badly understaffed and overworked, and in any case incapable of adapting the flood of laws and regulations to the constantly varying conditions in production and distribution. The only solution appeared to be to free the various authorities from those tasks which really were beyond them, and to enlist the co-operation of the autonomous industrial and commercial bodies in carrying out

<sup>2</sup> The General Commissary was Herr Richard Riedl, who had raised the whole question in a secret Report of remarkable perspicacity and had no doubt been responsible for the initiative which the Austrian administration showed in this field. Herr Riedl's volume in the Austrian series, *Die Industrie Österreichs während des Krieges*, gives a detailed and authoritative description of the elaborate economic war measures applied in the Monarchy; it also contains in an Appendix the principal parts of his Report.



the necessary war and reconstruction measures. After the creation of the general Commissariat, therefore, the new autonomous bodies became the pillars of the whole economic war organization. All the Centrals connected with the Ministry of Trade were provided for administration purposes with war or industrial Unions. These Unions and the Commissions which in certain cases replaced them were destined to play an important rôle during reconstruction. It was therefore intended to create Unions or Commissions for all the chief branches of economic activity, even for those which had no Centrals. This work had progressed so well that by the end of the War it had been completed for a number of the chief economic branches, and at least partially carried out for the others.

To enable commerce, so severely disturbed by the War, to have its interests represented, a special Commercial Committee was set up, with, at the request of those concerned, a chain of specialized subcommittees for the several trades. Finally, a similar committee was set up at their request for the co-operatives of distribution. All those interests were to meet in the Central Commission for War and Transition Economics. A second group on that Commission consisted of delegates from the Chambers of Commerce and Labor, which were placed as territorial organizations in the service of war and of reconstructive economics. A third group was formed by delegates of the workers' organizations. In addition, twenty members were appointed by the Ministry of Trade with a view to securing the co-operation of important personalities who stood outside the economic war organizations, and more especially of creating by this means a link with the legislative bodies. As the Central Commission had thus acquired a large membership, an executive was formed from delegates of the several groups to deal with current affairs. In addition there were a number of special committees similarly composed, which had to deal with matters appertaining to their special field of economic life—such as raw materials, finance, transport, social questions, etc. As the chairmen of these committees were taken from among the members of the executive, special work and central policy were kept closely interlocked. Finally, subcommittees could be set up for individual questions.

The proposed structure was so comprehensive, both in its composition and in its functions, that it might well have been a precursor of the idea of national economic parliaments. In this particular case,

and generally speaking, the work of the Commission was inspired by the view that it was not a question of providing a substitute for the political Parliament, but of creating a body which might devote itself to practical issues of economic policy. The ultimate aim of the whole organization was to bring about the systematic co-operation of all the bodies concerned with economic and social problems of war and reconstruction ; and at the same time to provide an organization for public control and criticism, composed of men of knowledge and experience, and inspired by a sense that in all those problems it was essential to find the road of friendly co-operation for the sake of the common task.

*The Snowball Growth of War Control.*

In Austria-Hungary the economic organization evolved during the War, as described in detail in other volumes in this History, embraced toward the end the whole machinery of production and distribution, and was provided with organs commensurate in authority and functions. These organs were altogether original, equally distant from a rigid *étatisme* and from capitalist *laissez faire*. They combined in various ways and degrees public control with private initiative, and public utility with private property and profit. Not unlikely these experiments contain elements which may prove of value for the handling of economic and social problems in the immediate future. In judging the working, and still more the results, of war government one must constantly keep in mind, however, that the system was systematic only with limitations. It was set up not upon a considered and comprehensive plan, but rather in fragments and in perplexed haste. Often in some respect nothing was done until conditions forced to action, and by that time those conditions perhaps had reached such a state as did not allow the new measure to be more than a palliative. In fact, however perfect in conception, in practice the system had no chance of being anything but a stop-gap. It was built up when the rot had already set in merely to prevent it from spreading too quickly and too far. It could not, and was not expected to, bring things back to normal. It could not have done so even if it had been able to work unimpaired. But in Austria-Hungary, still more perhaps than elsewhere, friction between the administration and the military made a disturbing fissure throughout the structure of economic war government. Both the material and the

moral conditions having been therefore abnormal, to try to judge the results by normal standards would be deceptive. Hence no attempt is made here to measure them by means of statistics and graphs. We must be satisfied rather with picking out and estimating as tendencies some of the more instructive results of that functional organization in war.

Perhaps the most striking general aspect of that development was the seeming fatality with which it grew. On a bird's-eye view it gives truly the impression of organic growth, each function requiring an appropriate organ, and each function being in danger of breaking down without the constant support of new functions and new organs. In thus looking at the change we discern very clearly how utterly unforeseen it had been and how utterly inevitable it had become under war conditions. The lack of any clear idea of what a war would bring appears in a curious light from the steps taken to prepare for it by a country so highly organized as Austria-Hungary was. We have described the drastic character of the Law for War Service, which had been supplemented already in peace time by instructions concerning the exceptional steps which were to be taken in case of war. Most of these measures were concerned with political and military security, but an important part was economic in character and referred to prohibitions of imports, exports, and transit. The military authorities, as has been mentioned, had entered into contracts with groups of producers in the industries which supplied the army with what it needed. So far the arrangements seem adequate. But here some conditions were added which appear strangely anomalous in the light of our present knowledge. The contracts obliged the producers, namely, to use Austrian raw materials and semimanufactured goods, or Hungarian as the next best. Foreign materials were to be imported only in case of necessity. This restriction was intended to protect native agriculture and other primary industries; but it prevented rational preparation in that it discouraged the producers concerned from keeping larger stocks of foreign raw materials.

The restrictions on trade appear equally peculiar in retrospect. War material, which might be thought to have been especially desirable, was not allowed to come in at all. On the other hand general trade, even with enemy states, was at first left free. Export and transit prohibitions were more elaborate, so as to enable control of



available supplies. But notwithstanding the long list of goods prohibited for export and transit, those who framed the regulations little realized the effects which a modern war would have on economic life. For they contemplated the partial canceling of the prohibitions in the measure in which "the first great needs of the armed forces shall have been satisfied and the progress of the war allows it." An economic war was not then contemplated. But from the day when the army began to demand a continuous and unlimited supply of arms, munitions, etc., the governments were forced to establish new means of acquiring supplies, and to associate private initiative with the efforts of the public services.

From that moment every official action gave birth to another, and decrees, functions, and organs multiplied like self-generating cells. As a preliminary step official policy had to be unified and the various departments made to work in unison. While the supply of native raw materials was controlled by the industrial section at the Ministry of Trade, measures concerning foreign raw materials were in the hands of the commercial section; this division between two autonomous sections led to the use of fundamentally different principles and methods of war economy, and had to be done away with. In the second place, the bringing of any important raw material under control had to be followed by the extension of that control to subsidiary materials and to substitutes used in that industry. In Austria-Hungary, for instance, control in the paper industry began with some important and insufficient raw material or aid to production; it was then extended to other subsidiary products in order of importance, and finally to the industry as a whole. Sometimes indeed the process was the contrary; the need of insuring the regular production of certain goods gradually led to the control of all the requisite materials and subsidiaries. Likewise the strict regulations for economy in the leather industry led to the need of preventing the use of inadequate substitutes. The decision as to what material was adequate for boot-soles in the place of leather rested with the Ministry of Trade, and an expert Commission was set up to supervise its application. In the third place, the control of raw materials in time rendered inevitable also the organization of the industry using them. At first, for instance, only the bigger mills working for the army were organized in the Wool Central. But the establishment of complete control over that raw material later forced the inclusion also of



the smaller mills, and even of those working for purely civilian needs.

The extension of functions, as we have said, grew hand in hand with the extension of organs. A fourth category was the setting up of agencies to collect a certain controlled material. With the restriction of private trade in metal goods and raw materials, for instance, the Metal Central was empowered to purchase such goods and materials at a premium above the prices fixed for requisitions; the Central set up purchasing offices of its own, which toward the end of the War numbered some five hundred. Or, fifthly, the exercise of control made necessary the creation of distributing agencies so as to prevent waste or fraud. The Oils and Fats Centrals, for instance, had arranged to allow each retailer fixed quantities of soap, based on an estimate of local needs—soap being a rationed article. But these supplies were often used by the traders themselves as barter against other necessities, or were sold clandestinely at a high profit instead of at the fixed price against ration cards. Therefore the Central was forced to set up in many places official distributing centers. Again, the control of production inevitably brought with it control of transport. In Austria-Hungary the railways were from the outset placed under a central administration, controlled by the military authorities. The typical thing, however, was not the centralized official administration, but the special measures of control governing the transport of goods. Corn and flour imports, for instance, were (not unnaturally) allowed to come in freely, but the railways had to direct them, under strict bookkeeping, to the controlled mills and bakeries. To insure the fulfilment of the decree requisitioning all wool for army needs the transport of wool was made dependent on certificates granted by the Ministry of Trade.

Further, as an additional check upon imports and exports, the Government instituted a control of foreign currencies and bills of exchange. Some of these measures had to be applied on an international scale, so as to prevent the efforts of one government being thwarted by the measures of an allied or associated government. Arrangements for joint purchases and their rational division on agreed lines were devised by both groups of belligerents, but were perhaps taken a degree farther by the Allied Governments, who having greater access to supplies were exposed to greater opportunities for competition.

*Divided Authority: Civilian and Military.*

The drawbacks resulting from the lack of a prepared policy were increased by the obstacles which had to be overcome before a definite plan could be applied, when one was made. Every part of the economic machinery was, of course, out of order. But it was not so much a question of material difficulties, with which the plan was meant to deal, as of political and social difficulties, some of which were raised of set purpose to prevent the plan from dealing with them. Such a penetrating extension of state power could not occur even in war time without resistance from established interests and opinions. In truth, however, the chief line of friction was not between state and private interests, but rather within the circle of the ruling powers—between the country's ordinary government and the military factor raised in authority by the fact of war.

The attitude of the military authorities had of necessity a deep influence on the form and effect of the new economic controls. The industries fully taken over by the military were subjected to most disconcerting regulations as regards the requisition and use of raw materials; and these were not at the disposal of one of the autonomous industrial unions, except in so far as certain quantities were set aside for general use. In many cases the military authorities strenuously opposed the organization of industries on a self-governing basis; they naturally disliked it most for those industries which produced war material, and which therefore most needed it. The Austrian metal industry, for instance, could not be organized on an autonomous basis until late in the War, because the military wished to retain control over it. Both the Ministry of Trade and the General Economic Commissariat wished to set up an autonomous organ for the munitions industries, but the War Ministry insisted on retaining direct control. In this case, it is true, the military were supported by the producers themselves, who felt that their interests would be better secured if they dealt only with public authorities than if they formed themselves into a semipublic autonomous organization.

It is interesting to follow the results of the military control in this instance. In order to make sure, as they thought, of a plentiful supply, the various military authorities placed orders which far exceeded their actual needs. At the same time the individual firms accepted the orders so as to secure on their basis a reserve of raw ma-

terials, some of which could be used for private contracts. In consequence, the Iron Board set up in 1917 found in the industry conditions which had become altogether chaotic. Certain iron works had on their books orders dating back to the last months of 1915, which they had been unable to carry out as yet. Acting on the logical assumption that not all of those orders could still be required, after such a preposterous delay, the Board first canceled all orders placed before February 1, 1916; it then prescribed a "holiday" for new orders, from the beginning of April till the end of May, 1917, so as to allow an interval during which old orders might be cleared. In July it next fixed a standing time-limit of three months for the execution of orders; and in August it laid down a program of production which standardized the various items, and no longer allowed orders for less than certain stated quantities to be carried out individually. But by that time the confusion in the industry was already so paralyzing that the Prague Iron Industry Company, which had supplied in 1917 about three million tons—that is, one-fifth of the total Austrian production—had on May 1, 1918, to stop work and only resumed it in August. In Hungary the desperate confusion caused by military interference led to a curious inversion of the policy contained in the Law for War Service. The Hungarian Ministry of Trade insisted that it had a right to requisition for general purposes the reserves of iron accumulated by the War Office, and this standpoint prevented the application of a comprehensive plan until the middle of 1918. We have already mentioned the serious waste in cotton cloth caused by the refusal of the War Ministry to allow its needs to be looked after by the Cotton Central; and it is characteristic that while some sections in the War Ministry made use of the Central, its policy and functions were not recognized by the Ministry as a whole. Similarly, at the very time in 1916 when the Ministry of Trade was organizing the woolen industry on an autonomous basis, the military departments made an attempt to extend their control over that industry. The attempt failed because the other system proved its usefulness for army supplies; but even so the military decree was not withdrawn until a year later.

Other instances of friction and competition of power between the civil and military authorities will appear in subsequent chapters. They were absent in none of the belligerent countries, though generally the struggle took place behind the wings of the political



stage; and they were bound to be more violent in the countries where political institutions were less settled and respected. In this regard the evolution of things in the sphere of economic war government has, on the whole, been more definite than in the political. In the latter, as we have seen, the influence of the military fluctuated with the luck of the campaign. It could not be shackled altogether, even in the Western democracies, because the possible resignation of army commanders was feared by politicians as likely to undermine public confidence. In the economic sphere, however, when it was a matter not so much of theoretical strategy as of practical organization, there was a gradual and constant reduction of arbitrary military interference. With the lengthening of the war and the diminution of supplies, the problem of maintaining the stamina of the nation almost took precedence over that of strengthening the army. Nothing but a careful and unified organization of production and distribution could meet the need at all, and that was a task which from every point of view was outside the sphere and capacity and experience of the military factor. In this field, therefore, while every step toward systematic organization meant a corresponding increase in the power of the State, it also meant a rehabilitation of the ordinary factors and instruments of government as against the extraordinary latitude first allowed to military authority.



## CHAPTER VI

### THE WORKING OF FUNCTIONAL WAR GOVERNMENT

THE system of functional war organization described in the preceding pages amounted, in essence, to the comprehensive and direct control of production and distribution by the State. In a way it could hardly be described as economic, in our accepted sense of the term. It was applied to the economic field, but it was dominated by various noneconomic ends, and it was conditioned by altogether peculiar circumstances as regards resources in material and capital and labor, as well as regards the efficiency of the machinery of control. The usual ways and factors of economic life—capital, supply and demand, profits, etc.—were of set purpose rendered inoperative by the nature of the system itself. There was, however, in addition a set of war measures which were not meant to supplant but merely to correct the normal working of the economic machine, through the control of prices. This indirect official interference was used by all governments during the War, with means and effects very similar to each other; its brief description here is given not merely for the sake of comparison but also because it illustrates in a more concrete way how the attempts at control were interlocked, each bringing another after it.

#### *Methods of Price Control.*

Provision for the control of prices was to be found already in the arrangements made before the War for the supply of the army. In Austria-Hungary the contracts made by the military authorities with various industrial cartels laid down certain guiding lines for the determination of the price. It was generally to consist of a fixed part representing the cost of manufacture, and of a variable part representing the cost of the materials. The latter was to be based on the average market price, and was to be settled quarterly with the aid of the Chambers of Commerce and Labor. Again, the War Service Law decreed that the fixing of prices and of damages for requisitions was to be in the hands of an official commission. These arrange-

ments clearly aimed at keeping the cost of military supplies as low as feasible. Hence the pre-war army contracts and the War Service Law already contained the seed of the price policy which became general in the War. When, at the outbreak of war, supplies of food and other necessities began to grow short, weighty social considerations, added to those concerning the public purse, helped to push the Government into taking various steps, before the organization of the Centrals, to deal with profiteering and with hoarding. The first measures for price control were contained in an Imperial Decree of August 1, 1914, though earlier measures had given the authorities carefully circumscribed general powers to prevent profiteering by means of fines and other penalties. All the decrees, regulations, etc., relating to price control were codified in March, 1917, when an elaborate organization, rules, and penalties were set up which were intended to work automatically. The gradual adaptation to the conditions created by the war was then replaced by a more hard and fast system. At first the regulations applied only to food supplies; the price of other necessities fell rather than rose during the first weeks of the war. As soon as the first bewildering effects of the war had passed prices began to rise all round, and from that moment the measures destined to regulate them took an important place in the system of official control.

The first cause of the shortage was the rapid exhaustion of supplies. In this respect the difference between the position of the Central Powers and of the Allied Powers was considerable. The Allied Powers had access to fresh supplies, and in their case the consuming action of the war found expression in growing indebtedness. In the Central Empires, however, the result was the rapid diminution of the supplies of food, materials, and manufactured goods. Those responsible for economic policy were well aware that control of prices might have the effect of driving trade underground, and the regulations contained strict injunctions concerning the keeping of stocks and reporting them. Hoarding by private individuals came equally within the purview of those measures. They could not, however, prevent the demand rising as rapidly as supplies dwindled, and in proportion indeed to the restrictive measures of control. The level of prices ruling in the unavoidable underground trade was the barometer of the shortage of goods.

Nor were official agencies altogether free from responsibility for

that tendency. While from the standpoint of the Treasury it was desired to achieve through the indirect means of price control a reduction in the cost of supplies, the military authorities often held that the price did not matter as long as the goods could be obtained. Hence they sometimes acquiesced in prices which nothing could justify, and frantic purchases were made abroad through doubtful intermediaries. This not only caused prices to jump, but also provoked self-protective measures by the governments of the countries concerned and, as a result, a restriction of supplies.

To this influence of the shortage of goods on prices was added the equally strong influence of the depreciation of money. Bad money drives away not only good money but also supplies. The desire to export was equal to the difference between world prices in gold and home prices in paper. In war time, it is true, such differences affected only goods manufactured from native raw materials or from materials whose cost was but a small part of the total cost of production. In such cases the effect of the tendency could be checked by export prohibitions. But in general, with the growing shortage of materials and goods, internal prices rose above the difference in exchange because of the severe discrepancy between supply and demand. The effect of the exchange was outrun by that of the shortage, and the control of prices was intended on the whole to prevent them rather from rising beyond the level justified by exchange differences. The converse aspect of the problem was the effect of prices on the exchange. By fighting dearness it was hoped to correct the growing discrepancy between the value of the paper money and that of the goods in circulation. Finally, the same policy was dictated by social and political considerations. It was feared that the rise in prices might cause discontent and unrest behind the front; and on this plea, whether sincere or not, the demand for lower prices was constantly pressed even by responsible leaders without considering the effect of such a policy on production and supply.

Price control in Austria-Hungary extended also to the controlled industries, but in their case the system was somewhat different. Prices were fixed or sanctioned by the respective Ministries, both for open sales and for public use of goods coming within the scope of the particular industry, on the strength of advice tendered by the autonomous industrial bodies concerned. The indirect and unintended result of price regulation, therefore, was in this case the strengthen-



ing of the influence exercised by those bodies. Fixing of prices and of conditions of sale acquired a special importance for industry. They were the only protection against the legal uncertainty created by the profiteering law of March, 1917, and against arbitrary prosecutions for alleged excessive profits. Prices determined by a semiofficial body and sanctioned by the Ministry of Trade could not well be impeached as unjustified.

In Austria-Hungary an experiment was made with a more elastic system of price control. The difficulties experienced with maximum prices led to the introduction in the new profiteering law of a system of so-called "guiding" prices. They did not lay down a fixed limit but merely a guiding level, to guide the seller in fixing his own prices and the authorities in judging whether they were justified. The guiding level could thus be exceeded if justified, for instance, by the use of costly raw materials; on the other hand, it could warrant prosecution if demanded in full without being justified by the cost of production. With the introduction of this new principle there was set up also a new machinery for price control. Guiding prices were to be fixed by special offices attached to the law courts and charged with examining actual prices. They consisted of a chairman, who was an active or retired civil servant, of a vice-chairman and twelve members. Three of the members were appointed on the recommendation of the Chamber of Commerce, three on that of the principal local agrarian organizations, while six represented the consumers and were recommended by the local consumers' bodies. The system thus aimed to give equal representation to industry and agriculture, to producers and to consumers. In view of the variety of industrial interests, industry often found itself divided in the face of a solid group of agrarian and consumers' delegates. These offices were apparently intended to keep prices down, and to provide through the means of guiding prices a basis on which the courts could prosecute for profiteering. In addition there was a Central Commission whose function it was to examine the prices fixed by the local bodies and to guide the latter with instructions, so as to keep a proper relation between prices in different parts of the country. The Commission was also to act as an advisory body to the official central organs in all matters concerning price regulation, and its opinion was required whenever maximum prices were to be fixed. To prevent confusion and the intrusion of a demagogic element, the system of guiding



prices was not applied to necessities for which maximum prices had been fixed by a ministerial decision or the sale price fixed by the autonomous bodies handling that particular class of goods. Hence these offices had no jurisdiction in the wide field of officially or semi-officially organized productive activities—a restriction which was necessary but which greatly limited the usefulness of the offices.

*Vagaries and Virtues of Price Control.*

Price control depended in a peculiar degree for its results on bureaucratic efficiency and civic tradition. Its effect varied from insuring a tolerably regular supply at fair prices in some of the Western countries, to driving supplies altogether away from the open market in some of the countries with which we are dealing. This was not altogether unforeseen. But it is questionable whether official interference could have been avoided in such abnormal circumstances. With the disappearance of the usual factors regulating supply and demand, and hence of the effect of free competition on prices, some artificial factor had of necessity to be brought into action. On the whole the paradox is no doubt true that price control can be effective only under normal conditions of supply and demand. Under abnormal conditions the system cannot fail to give distorted results. Maximum prices have been criticized as being too crude and elastic a method for influencing prices. When put at a high limit, so as to allow a measure of elbow room, their tendency is to invest with official sanction a price level from which for various reasons the traders had shrunk before. The maximum price, in other words, tends to become the regular price. When, on the other hand, it is fixed at the lowest level of the open market, and still more when it is even lower, it invariably has the effect of driving supplies away. Producers and traders refuse to sell at a loss or without profit, and hold back supplies to wait for a rise or for an opportunity to sell clandestinely. The disappearance of supplies makes people anxious to lay in stocks and thus favors underhand selling and hoarding, so that considerable quantities are taken out of circulation and the shortage is unnaturally enhanced. On the other side, a level fixed too low discourages production, as it discourages traders from taking the risk involved in making purchases abroad.

All these considerations naturally depend on the way in which

maximum prices are fixed and applied. They could, for instance, like minimum prices have the effect of enabling producers to follow a definite plan and to undertake certain risks, when applied by some agency which has the function also of taking over goods from the producer—always provided that they were defined for a sufficiently long time to cover the period of production. Opinion seems to agree that for financial and social reasons maximum prices were generally fixed too low in Austria. The need of furthering production was ignored for the sake of protecting the consumer; but frequently the result was distorted in that it discouraged production, caused the disappearance of supplies and an increase in underhand selling. Perhaps occasional pandering to the thirst for high profits might have stimulated production and in that measure reduced the occasion for illicit trade. One has to guard, however, against the exaggerations which appear to have been the rule in regard to this matter. Those who were engaged in illicit trade were apt to represent its size as justifying its practice; according to them it served the useful purpose of stimulating production and of bringing to light hoarded supplies, even if in illegal ways. On the other side, the autonomous industrial bodies and those favoring state control used the same alleged size of the illicit trade as an argument justifying stricter measures of repression. But the results of greater legal stringency depended on how reliable were the officials in charge of the measures, and everywhere human weakness seemingly increased with the severity of human needs.

In the opinion of the leading officials concerned with price control in Austria the measures, though sometimes excessive and in conflict with the need of furthering production and imports, were on the whole justified. What happened early in the war showed that without such control prices and wages would have risen wildly, and that in its turn would have quickened a catastrophic depreciation of the currency. Referring especially to fats, Dr. Riedl says that "one may safely affirm, in view of the extreme depletion of stocks and of the attitude of the supplying countries, that even full freedom of trade could not have secured larger supplies; but that in such circumstances the goods would have passed from hand to hand at an ever higher price, exceeding many times the prices fixed by the Central." That is undoubtedly true. Price control perhaps better than any other kind of war measures proved that the halfway house be-

tween state control and private initiative stands on unstable foundations. Everywhere price control was decreed in a halting way, for one or a few objects at a time, when supplies became short. There is no doubt that everywhere this partial control tended further to reduce the supply of the particular goods. It was more generally applied to foodstuffs, but not to all of them, the selection depending on the ability of the country to produce those things which habitually formed the main ingredient of the people's food.

Wheat was in most places the first product to fall under formal control. The less valuable kinds of corn were left alone. Experience shows that in such cases the uncontrolled poorer kinds became in the open market more valuable than the controlled better grains. In Austria, for instance, the control of wheat prices, coupled with the shortage of fodder, caused wheat and rye to be fed to pigs; the profit from the sale of pork, which was not controlled, being thus far greater. One of the Austrian food controllers was thus led to complain that the pig was the worst competitor of man. Elsewhere the fixing of prices only for the best quality wheat tempted farmers to mix it or even to let it deteriorate, because the free price for these inedible grains was higher than the fixed price for milling wheat. In the same way quantities of butter and lard were allowed to deteriorate in Austria, because the rancid fat could be sold for industrial purposes at a higher price than that for butter under controlled prices.

Sometimes price control was applied to the indispensable agricultural products, but not to manufactures. In this case, also, the measure often defeated its own ends. The things which a farmer had to buy rose exceedingly and caused him to lose interest in raising produce which, by comparison, he had to sell at a loss. What he could spare he tried to dispose of through illicit intermediaries. When the shortage of food became acute, townspeople acquired the habit of going themselves into the country to pick up such things as the farmer would sell; but they seldom sold except by way of barter, in return for manufactures and other goods which represented full value to them. In such cases price control led to an absurd situation, causing money itself to be eliminated. If anything these difficulties were greater still in the peasant countries of Southeastern Europe. There the peasants were well-nigh self-sufficient, and the absence of a developed industry left the market empty of goods which



might be offered to the peasants in exchange for the surplus of their holdings. In Bulgaria prices were regulated, but otherwise trade in agricultural produce was left free. The markets remained empty, however, because in such conditions the peasants did not trouble to produce much beyond what they themselves needed. In both Bulgaria and Turkey the organs for food control were abolished after a while, in the hope of thereby stimulating the flow of supplies into the towns.

*The Conditions of Successful Control.*

A summary survey of war experience, therefore, suggests that to be effective public control must be applied over the whole field and all the time. Otherwise the factors which organize private production and distribution are apt to divert their activities from controlled to uncontrolled fields of economic life. Moreover, a partial application of the system is apt to lead to continuous changes of policy. Criticism by those whose interests are affected, by political opponents of the powers in office, and in general by the victims of the emergency, caused the authorities continuously to shift their ground and to try one thing after another in the search for a remedy. Neither material conditions nor the public temper are likely to improve under such vacillations. During the War, this tendency was particularly strong in countries like Austria-Hungary and Turkey, in which the political structure itself was unstable. In Bulgaria, as Professor Georges T. Danaïllow, who is responsible for the valuable study on Bulgaria in this History, shows, the Government on several occasions changed the burden of control from the military to the civilian authorities, and vice versa; and in Turkey a Food Ministry was created without the Government even troubling to abolish the Supreme Food Commission whose functions were thus transferred.

Still worse were the results when two kinds of policy were allowed to coexist in the same branch of production or distribution. A flagrant example is what happened in Austria-Hungary in regard to petrol. On the whole the control of production and distribution worked tolerably. But the State owned an oil refinery at Drohobycz and the War Ministry one at Limanova, neither of which came under the control of the section specially created at the Ministry of Trade. Although both refineries were State-owned, supplies from



these uncontrolled sources repeatedly filtered through into the market and disturbed the otherwise strictly regulated distribution, as well as the system of maximum prices fixed for these products. The same thing happened in the case of exports. The export of oil and derivatives was in the hands of the Oil Central, working on quotas fixed by the Ministry of Trade. But the State refinery persisted in arranging its own sales abroad no less than at home. In Bulgaria the War Ministry had succeeded, in January, 1916, in wresting the purchase of army supplies from the Committee which had general control of necessities; from that time the military often tried to requisition supplies already earmarked by the Committee's agencies, the two groups fighting each other with all the words and tricks they could think of. Or take the case of food control in Turkey, where free trade in food supplies was permitted even after the establishment of a Food Ministry. The Ministry thus had to compete in the open market and the result, according to all observers, was merely to add to private profiteering a measure of official corruption.

The economic controls adopted in the War, however drastic, were of course regarded as temporary. Those who devised and applied the system quite naturally endeavored, especially in the more developed countries, not to harm unduly the economic elements which had been at work before the War and were expected to resume activity after the War. As a consequence of such praiseworthy consideration the new arrangements were at times made to run in harness with the old, with little benefit to either. In Austria-Hungary that standpoint had led the authorities to distribute some of the pre-war military contracts, of which we have spoken, also to small undertakings and even to domestic industries. In war time that meant an obstacle to the urgent concentration of production, and additional work for a distracted administration. To give an example, in order not to ruin the smaller retailers of leather, they were used by the Central as intermediaries, at a fixed commission. The shortage of material made this cumbrous and ineffective. The 280 leather merchants of Styria, for instance, received a monthly average of 5,000 to 8,000 kilograms of leather for soles, that is 20 to 30 kilograms each, which they had to distribute among 4,500 shoemakers.

Toward the end, when conditions forced a more ruthless use of

war powers, the system had to be tightened up so as to rationalize production. Concentration was applied in many places with great effect both to the supply of raw materials and to their manufacture. One of the most thoroughgoing experiments was made in Austria in the wool industry. The Wool Central collected all the raw material, washed and packed it in its own establishments, reducing wool of various quality and origin to standardized units of a uniform average in quality and cleanness. The whole industry thus received the same kind of material, instead of one mill picking out the best and another being left with the worst. The change in the arrangement of production was typical. At first the war system was used for the purpose of supplying even the smaller mills with raw materials and orders. By the summer of 1918 the supply of wool, as of fuel, had fallen off severely, and the war organization was then used for the opposite purpose. A number of the smaller mills were compulsorily shut down, while at the same time a few larger mills closed voluntarily, so as to concentrate production among those mills which were best equipped or most conveniently placed near sources of coal or water power. Apparently the result was so satisfactory that in the autumn the authorities concerned undertook a still more thorough concentration, closing down more than half of all the mills.

Sometimes such concentration proved beyond the power of existing agencies—another frequently absurd drawback of the war system. In Austria-Hungary a decree of April, 1916, enjoined the compulsory “offer” of cotton material and goods to the Cotton Central, which in theory was thus put in a position to take over for public needs all goods of that kind. All offers were to be accepted or rejected within twenty-one days from the date of their formal acknowledgment. In practice it proved impossible to carry out this enormous task within the decreed period. The Cotton Central was flooded with offers. Neither its machinery nor its finances were sufficient for dealing with them. What then happened is an instructive case of the possible arbitrariness of war government. As the military authorities were unwilling to allow these offers to slip from their hands, they induced the Central to adopt a subterfuge. The offers were not acknowledged for weeks or even months, and the attempt of the Ministry of Trade to stop this malpractice was defeated by the military powers. In that way a provision originally devised to

limit the time during which the owner of the goods would be uncertain of their fate, became in the hands of an arbitrary bureaucracy a means of extending without limit the period of doubt.

Again, in October, 1917, a new decree demanded the actual surrender of all cotton goods. The machinery of the Cotton Central once more proved unequal to the task. The taking over of the goods proceeded so slowly that a year after the issuing of the decree large quantities were still lying in warehouses awaiting formal reception, and were returned as far as possible to their owners after the collapse of the Monarchy. Apparently the main trouble in this case was a lack of sufficient expert personnel so late in the War. There is no doubt that in most of the belligerent countries some of the shortcomings of war control were due to the same cause. While policy was highly centralized, its administration spread a wide net which reached the farthest possible groups and elements. Hence, the actual practical success of the measures was closely bound up with the traditions and efficiency of local government. Where this was lacking many of the war measures were in the hands of local committees, who had to perform a heavy task without either training or experience, and with most of the members engaged every day in ordinary work of their own. Their great powers thus often went hand in hand with little knowledge and less time.

An additional and serious drawback of these special war organs and agencies was the lack of authority from which they sometimes suffered, because of their undefined or mixed status. Semiofficial committees were looked askance upon by permanent officials; in some of the Eastern countries they were simply ignored by the military. Resistance was difficult, as most of the men concerned fell in some way or other under military law. The capable Austrian Centrals suffered in that way from insufficient authority. As they were organized on a private basis, individual firms and more especially agents of the War Ministry did not hesitate to compete with them in neutral markets. The Government tried to circumvent the difficulty by prohibiting trade in certain products and granting exemptions only to legitimate organizations. But this led to protests against the granting of a monopoly to bodies working with private capital.

This formal objection acquired practical significance from a certain conflict of attitude between the private capital and the public functions of the Centrals. Probably it caused them to make their



purchases more cautiously than would a body which was altogether private or altogether public. The first could take greater risks in expectation of a corresponding profit. The second could take such risks because it would be covered by public funds, which in war time were not denied. But private capital could not be expected to sacrifice itself for public ends when their public character led to an insistent demand for the limitation of profits.<sup>1</sup>

<sup>1</sup> It has been mentioned already that in Austria-Hungary the self-governing industrial bodies were not allowed to distribute from their profits more than a limited dividend; the remainder went to a reserve fund which was to be used for public purposes at the direction of the Government. The control of profits, apart from its social aspect, was made necessary also by the efforts to concentrate production. In the Austrian wool industry for instance, an index figure was worked out for profits made under normal conditions of production. On the basis of that index the individual firms were allowed a constant proportional profit, whatever the nature of the goods which they were instructed to produce. And when production was concentrated, the working mills were allowed to retain only such a share of the profits as corresponded to their place in the index, while the surplus was distributed, according to their index, among the firms which had been closed down in the interests of rationalization.



## CHAPTER VII

### A BALANCE SHEET OF FUNCTIONAL WAR GOVERNMENT

#### *The New Wars of Attrition.*

SUCH mixed semiofficial and unfamiliar systems, pressing heavily even upon those they were meant to help, were greatly liable to be the object of various complaints, and still more of suspicions, too widespread not to be mentioned here. As many of these organizations were on a very large scale, they not unnaturally fell under popular suspicion for employing excessive personnel and thereby giving sanctuary to war-shy individuals. They were likewise accused of spending an excessive amount on administration. Another complaint made against the Austrian Centrals, by dissatisfied manufacturers and traders, was that after supplying public needs they dealt unfairly with the surplus of the raw materials which they had collected. As the system itself was so devised as to maintain the private organizations in existence, it was perhaps to be expected that they would further that policy with a little self-help. These suspicions, which sometimes were sufficiently loud to lead to parliamentary inquiries, may in some cases have been justified, though in many they undoubtedly were not. But right or wrong, they were sufficiently effective as a reaction of an otherwise muzzled public opinion against the heavy powers of the war system. Opposition to war measures from various quarters and for various reasons not unnaturally increased in proportion as those measures themselves multiplied. Up to a point, opposition was a useful correction when public discussion and parliamentary control were suspended. But it naturally had a dilatory effect, inducing caution at every step. In a way the war system brought this trouble upon its own head: it demanded from the public great and ever fresh sacrifices, but it took the public but little into its confidence. The chief Austrian organizer of the system has admitted that "the suppression of public discussion even on matters of fact only helped to produce an outgrowth of creeping suspicion, all the more so as opposition to war measures was not always in-

spired by anxiety for justified interests, but in many cases was fed by the most common of selfish ends."

It would be very easy indeed to cull from contemporaneous sources a long list of complaints and criticisms against the war-time controls. But the results of economic war government would be misrepresented if weighed in such a purely critical balance. While its shortcomings were plain, it was much less easy to envisage and depict what would happen in the absence of such a system. There is enough evidence to point to much positive usefulness. Take a few instances, of a specifically economic kind—leaving aside the more obvious social advantages. In 1914 America had a rich cotton crop. The German spinners bought sparingly. Hence the Austrian Cotton Central could secure large supplies, because the existence of a central organization in this case made it possible to spread the risk. The Austrian War Union of the metal industry must have justified itself, as it was maintained as a voluntary body even after the end of the war system. Joint organization proved especially useful, and indeed indispensable, for the co-operation of a particular trade or industry with similar groups abroad; without them the Central Powers would have competed to their mutual loss in the neutral markets. Working together, for instance, the German and Austro-Hungarian bodies were able to buy toward the end of 1916 a hundred kilograms of fat contents (in soap) at 225 to 250 Dutch florins, whereas before, when buying separately, they had paid 350 to 450 florins each. Agencies for joint purchases in specified markets were therefore set up for foodstuffs and fodder, for oils and fats, and for raw materials from overseas.

By means of such organizations the hard pressed Central Empires were also able to complement each other's resources. In Germany, for instance, industrial fats had for a while to be used for human consumption, while in Austria edible fats were cheaper than the worst Norwegian herring oil. In the spring of 1916 the Fat Centrals of the two countries adopted a plan for common purchases and rational distribution. In a considered statement before a parliamentary commission of inquiry, in September, 1917, the Austrian General Commissary for War and Transition Economics declared that the Centrals had not only rendered useful service but at times had saved the situation. He also pointed out that much of their supposed

inefficiency and all their unpopularity followed from the very nature of their functions. The first result of their activity was inevitably to restrict consumption. In a way this was their very purpose: to withdraw supplies from promiscuous use in order to devote them rationally to public needs. That could not be done without hurting many individual interests. "War organizations are not philanthropic bodies," he said. "They serve the hard necessities of war, and therefore it is one of their functions to impose upon the people those burdens which war brings with it."

In brief, for any suffering and damage, judgment must be passed not against the organizations but against the purpose which they served. When much was wasted on one side the other side was bound to go short. It is true that less headstrong interference by the military powers and greater regard for the people's needs might have given better results for all those concerned with maintaining a nation's stamina. But the root of the trouble lay in the omnivorous demands of modern warfare. There was no end to what the military machine could use; any restraint was imposed solely by the impossibility to give it more. As it was, the absorption of supplies for unproductive war purposes reached a fatal limit when it disturbed, hampered, and finally altogether checked the normal progress of production. All the other shadowy aspects of war economics followed from this: from a general attrition of resources rather than from price control or from industrial control. "One cannot for the sake of war needs strangle the needs of a population beyond a certain point," said Herr Riedl on the occasion mentioned above. "People will submit to very severe restrictions if at least one can ensure a minimum satisfaction of their most elementary needs. When, however, even that is no longer possible and a real want makes itself felt, then all barriers break down. As a result of the crippling of foreign imports, of the exhaustion of home supplies and of subsidiary sources for military purposes, of the impossibility to secure the satisfaction of even the strictest needs of the population—as a result of all that the system of war economics ultimately broke down, notwithstanding the unselfish efforts of those who as leaders and workers placed themselves voluntarily in the service of the autonomous war economic bodies, notwithstanding determined perseverance towards the proposed goal, notwithstanding all the ingenuity of the system and



of its structure. Economic exhaustion used up the power of resistance of the people, until it finally gave way altogether."

*The Effect on Civic Morals.*

The system of economic control which grew up during the World War was born out of shortage and ultimately was killed by shortage. All government depends for success if not on consent at least on concurrence. When economic control, whether it could help it or not, appeared to have become merely the harbinger of hardship, its authority was bound to fade away. Its decrees were no longer obeyed, but quietly evaded or openly flouted; and the more far-flung and close-meshed the net, the more frequent and subtle were the efforts to escape it. This appears glaringly in every country's experience and is a point of importance. For in the light of the aftermath, it is perhaps not too much to say that the effects of war government on social outlook and civic morals have been more insidious than on the material fabric of the countries at war.

On the plea of protecting the interests of the masses and of insuring a tolerable supply of necessities, a system built up on dictatorial measures came into being, which put all private liberty and property in question. That overgrowth in the functions of government inevitably had to rely on corresponding means of control and enforcement. Yet the continuous increase in the stringency of these economic police measures were in themselves a barometer of the weakening hold of the law. In Austria-Hungary the later price control rules not only provided more severe punishments—up to three years' imprisonment—but contained also the innovation that the buyer no less than the seller disregarding the fixed prices was liable to punishment, if he meant to resell the goods. Very significant as throwing light on the conditions of the time, as well as on some of the pernicious effects of price control, were the punishments provided for subsidiary delicts. The new rules made it a punishable offense to allow foodstuffs to deteriorate or in any other way to make them unfit for human consumption, so as to sell them at higher prices. It was made an offense to reduce the supply artificially in any way; to indulge in so-called chain selling—that is to pass goods from hand to hand at ever higher prices so as to exceed many times



the cost of production; or to have resort to any other kind of action intended to push up prices, such as false invoices and bookkeeping, anonymous advertising, etc.

These regulations and others of their kind in effect did away with privacy in the conduct of business. In Austria, for instance, paper factories were obliged to supply the Ministry of Trade with any information it demanded; and it was only logical, to insure respect for that rule, that the Ministry was given the right eventually to enter the works and inspect them at its wish. A system of economic police actually grew up in the wake of these measures. To check the prices of footwear, which were not uniform but based on certain proportional calculations, a system of expert authorities had to be set up who continuously supervised the retailers. Yet all this failed to prevent a rise in prices because of the severe shortage of leather. The representative of the Viennese shoemakers openly admitted before a parliamentary inquiry, in September, 1918, that two-thirds of the leather worked by them was obtained illicitly and only one-third through the approved channels, at fixed prices. At the same inquiry, a witness from Hungary, where control was laxer, made a still more conclusive admission. He was himself the delegate of an official office for the distribution of leather and clothing, and he confessed that in order to be able to distribute shoes to the poor he had bought leather illicitly at four times the fixed maximum price.

Such admissions as these show that economic war control cannot succeed when people's needs reach such a pitch that to break the rules appears merely as an act of desperate self-defense against the strangling intrusion of the State, and as such acquires a moral justification in the eyes of large sections of the people. Sometimes, it is true, regulations were broken merely for selfish personal comfort. In Turkey the Ministers themselves gave the example by having special bread baked for themselves and the higher officials, at the price of war bread. Sometimes the regulations were used by traders and manufacturers for private gain. Bread prices fixed in Turkey on October 16, 1914, were canceled already on October 21, on the ground that the restrictive measures were teaching people to indulge in illegal trading. In Austria engineering firms used the excessive military demands to overstate their own needs in raw materials, so as to have a surplus for private orders. In other cases the same opportunities were used to strengthen the funds or the power of some po-

litical party, or, as in the case of the food distribution system set up in Constantinople early in 1915, for the "patriotic" purpose of substituting through the subterfuge of war control Turkish merchants for the foreign (mostly Greek) grain and flour merchants.

These malpractices did not remain the exclusive habit of private groups and interests, or of individuals. In many cases they were tolerated and even encouraged by official or semiofficial organs in what was considered to be the interest of the State. As always when trade is arbitrarily interfered with, a flourishing contraband trade developed during the War. With growing shortage, that trade acquired the tacit protection of the agencies which were desperately trying to satisfy the needs of their countries. In May, 1918, maximum prices were abolished in Turkey and free trade restored. The change was justified unblushingly with the argument that freedom and high prices would enable the tribesmen in the south to smuggle in goods from enemy sources. Even in Austria, because of the growing shortage of metals, greater latitude was allowed from the spring of 1916 to private trade in raw materials. By then foreign supplies could flow mostly only through illicit channels, and these were of course more easily accessible to private traders than to official agencies. Again, while the textile trade as a whole was under strict control, yarns (woolen and cotton) were from February, 1917, no longer required to be held at the disposal of the authorities, if they had been imported as yarns or were spun mainly from materials imported without state aid. This was meant to be a kind of premium on private efforts to secure supplies, though it could be done only by circumventing the legal restrictions of the countries of origin, which were as likely as not to be allied to Austria.

In other words, under the pressure of circumstances contraband trade was actually recognized by the authorities themselves, not unlike the way in which under similar conditions the Soviets gave right of existence to the "Nepmen." The Austrian military authorities openly justified their objection to the monopolistic rights of the economic war organizations on the ground that it did not matter what the goods cost as long as they could be obtained, and that they were more likely to be obtained through private trade connections between individual firms. The need of making use of underhand trade thus justified from a new point of view the Austrian system of setting up semiprivate raw material agencies. They could practice bet-

ter than an official body the subtle art of circumventing the obstacles which the enemy blockade was placing in the way of the supply of raw materials. The high efficiency of their performance, at any rate in the earlier stages of the blockade, is illustrated by the grotesque case mentioned by Dr. Riedl. He relates that a cargo of copra from British India was landed by a Russian ship at an Italian port, after Italy had entered the War, and from there reached Austria through Switzerland.

From official toleration or tacit encouragement of private contraband, the downward path of war-time morals led by easy steps actually to its organization in certain cases by official agencies themselves. During the period when Bulgaria and Rumania were still neutral, both groups of belligerents set up in these countries open or disguised agencies which sought to lay hands on as much as possible of the available supplies. That was at a time, it is true, when the countries concerned were not yet themselves in need, and were willing enough to sell their resources to the highest bidder. But there are not a few cases in which the practice was continued even under formal war control. Bulgaria, especially, complained bitterly of the illicit activities of German and Austrian military agencies. They had been permitted to make directly local purchases, in limited quantities, for their own needs, but used this permission to organize with the aid of Bulgarian traders an abusive barter trade at exorbitant rates against salt. "It was astonishing," says Dr. Danaïllow, "how quickly these rural speculators were discovered by the German forces, who used them extensively in their speculation with salt." On an investigation the Bulgarian authorities found in various localities, and even in Sofia, contraband offices set up by the German military authorities. From them postal parcels containing meat, flour, butter, etc., were dispatched in railway wagons marked "war materials"—war material in accordance with agreements between the two governments being allowed to pass without control through the Bulgarian customs. The practice continued while the two countries were waging a common war.

The network of state regulations and prohibitions called forth all the lawbreaking ingenuity which lurked in hungry and greedy people. Sometimes, indeed, the breaking of certain war-control rules was tolerated by authorities or individual officials simply because it was beyond their powers to apply them to the letter. In Austria-



Hungary the transport of controlled raw materials was dependent in principle on a certificate from the Ministry of Trade. Such certificates were required for a large number of goods, and with every item added to the number the practical execution of the measure became more difficult. It appears beyond doubt that the railway personnel was inclined to apply the rule but indifferently, all the more so as their own superior authorities frankly regarded these regulations as burdening the railways with a task which had nothing to do with the organization of transport. Probably a large number of officials everywhere, people who otherwise were devoted to their heavy task, resented and if possible avoided that additional policiary rôle. And as those who broke the law were as many as the laws themselves, the governments found their hands tied by the very magnitude of the evil. Shortly before the end, the impending collapse drew a remarkable admission from the Grand Vizier of Turkey. Dr. Emin quotes him as saying:

The War, which has lasted beyond expectation has caused and facilitated abuses in transport matters, in business transactions, as well as in food distribution. . . . Undoubtedly, it was the task of the Government to punish such acts. This has not been done. The persons who are responsible for this neglect are known. It is we who have been to blame, and we are ready to bear the full responsibility.

The reason for our neglect is quite clear. . . . Many officials, soldiers, and merchants were implicated. If we had arrested and punished all these people, we would have been deprived of many co-workers whom above all we needed. Therefore, we put off the investigation and punishment of abuses till the end of the War.

The spawnlike spreading of state control in fact turned every individual into a more or less conscious and serious lawbreaker. More damaging than the actual act was perhaps the psychological effect. Many, if not most, citizens of the belligerent states came to look upon the law as patently unreasonable, and therefore upon law-breaking as patently harmless. For some the obstacles were as many opportunities and acted as a stimulant; to get round the regulations became a sport—in their eyes neither more wicked nor less tempting than gambling or betting. One need only remember how people delight in “beating the customs,” even for the sake of a cheap and indifferent object, to realize the strength and frequency of the temp-



tations which gnawed at people's better habits during the War, when official interference and prying extended to almost every corner and act of their private lives.

*The Effects on National Allegiance.*

The disintegrating effects of war government on loyalty to the State had a special meaning for the nationally composite empires. Apart from general conditions, war government was likely to be more stringent the greater the doubt as to the willingness of internal factors to serve the State in its hour of need; and the more stringent the war measures, the greater was the havoc played by the recoil upon the solidarity of even the governing classes. The reaction against war dictatorship, in other words, speeded up the centrifugal tendencies. It was natural that in such empires as Turkey and Austria-Hungary the governments, and especially the military, should be inclined to take special precautions against the minorities, whose devotion to the State was known to be at best tepid. It was inevitable that in such a grave emergency they should be kept away from crucial positions. But this distrust by the State went far to confirm their own mistrust of the State. It was inevitable, again, that under the stress of war misery and of the skeptical attitude of mind which it bred, the criticism of the subject minorities should take on a national color. They easily came to suspect the State of treating them unfairly in the matter of food supply and other necessities; of reserving the safe posts behind the front for the favored majority; of passing them over in matters of advancement and distinction in the army; above all, of exposing them unduly in the firing line. Czech and Rumanian war histories are full of accusations of this kind.

That the ruling powers sometimes used the opportunities of war control to strengthen their hold on the country, is fairly proved by many facts. But, in any case, most of the countries at war experienced outbursts of local resentment and selfishness as the supply of necessities became deficient. Parts of the same country tried to retain for their own needs as much as possible of the necessities which they could control; the inclination to do so was still greater when those parts were inhabited by national minority groups. In the Hapsburg Empire, Hungary adopted such an attitude from the beginning, and with a vengeance. In Bohemia and Galicia, Austria's

two granaries, separatist feeling or sentiment was fed, so to speak, by hunger. The prospect of regaining control of the fruits of their own soil by separating from the Empire roused revolutionary sentiments in famished groups and individuals who otherwise had been politically indifferent. The measures for the control of food supplies were increasingly sabotaged with the tacit consent of Czech and Polish local and railway officials. As the War proceeded, the members of the subordinate national groups tried to carry out as few as possible of the economic and fiscal obligations imposed by war government; in this they were seldom impeded, and sometimes helped, by local officials of their own blood.

Such sporadic resentment and evasion was a general phenomenon. More significant and effective was the similar attitude of organized political groups, and even of responsible governments. This clouded chapter of war history merits some attention because of the fate which has overcome the Hapsburg Empire, and of the continued questioning as to the effect which this has had on post-war economic problems. The truth would seem to be that the aspiration to economic unity, so persistently championed by Austrian statesmen and so precariously maintained on onerous terms through the *Ausgleich*, was quickly submerged by the War. Hungary at once took steps to isolate herself from Austria, and in this went so far that it forced Vienna almost to look upon her as a foreign country. This possibility had not been unforeseen. The fear of it had played a large part in the invention of the War Supervision Office. By creating for the duration of the War a new organ of control with dictatorial powers, the military authorities had hoped to overcome in a roundabout way the drawbacks of the Empire's dualistic Constitution. But in this respect the device utterly broke down, because from the very first day of the War the Hungarian Government denied to the Office any competence whatsoever within the limits of Hungary.

Hence the otherwise enormous sphere of action and authority of the Office was restricted to Austria. Every economic measure which involved common or parallel action on the part of the two partners had to pass in war as in peace through the usual joint bodies, whose members were not plenipotentiaries but delegates of the two Ministries, receiving instructions for each separate case. They had no power to take decisions but only to work out draft agreements, and on the whole to deal only with issues of policy connected with foreign

trade. It was a hopeless machinery for reconciling needs which went so deep and were so urgent. Not unnaturally, therefore, dissension and bitterness between the two partners increased greatly during the War. In the deeply interesting volume on the Monarchy's economic collapse which Dr. Gustav Gratz and Dr. Richard Schüller—two distinguished and devoted officials who witnessed the tragedy from the inside—contribute to this History,<sup>1</sup> they print the correspondence which passed between Count Stuerghk and Count Tisza, the Austrian and the Hungarian Prime Ministers, on the problem of food supply. These documents, there made public for the first time, offer dramatic evidence of how little there was left of unity, in sentiment and in action, between the two countries. This was especially true when it came to the sharing of food supplies. Austria bluntly and bitterly accused Hungary of hoarding foodstuffs; and it came to pass that corn was smuggled out of Hungary in Austrian torpedo boats. The Hungarian Government placed so many restrictions upon the movement of supplies that the Empire's economic unity became in practice a ghostly fiction.

Gradually that national selfishness spread even to the field in which joint action was most needed and most logical. Hungary had already, before the War, endeavored to further the growth of an iron industry of her own, partly through the skilful use of railway freights and partly through army contracts. The Hungarian Government had insisted that such contracts should be distributed among the works of the two countries, without regard to quality or price, in proportion to the *Ausgleich* quota. When the War broke out, it was promptly used as an opportunity for quickening the growth of Hungarian industries. Originally it had been agreed between the two Governments that the special economic organizations for the control of raw materials and of goods should operate over the whole territory of the Monarchy. Gradually, however, political considerations began to carry more weight than economic needs; the exceptional chance offered by the War to Hungary's ambition to make herself economically autonomous was grasped with both hands. Professor Werner Sombart has shown in his studies the important part which war has played in the advance of large-scale production. But the Hungarian Government discovered that the joint organizations

<sup>1</sup> *Der Wirtschaftliche Zusammenbruch Österreich-Ungarus.*



hampered in their case the working of that process. Beginning with the spring of 1915, therefore, the existing Centrals were at their insistent demand gradually divided, and from January, 1915, Hungary in fact no longer participated in the Centrals founded after that date.

From that time onward each of the two countries had its own war economic policy, governed merely by the provisions of the *Ausgleich* and by such specific agreements as the two governments reached from ease to ease. As a consequence, military orders for woolen goods, for example, which covered almost the whole production, were distributed in proportion to the political *Ausgleich* quota—i.e., 63.6:36.4—whereas normally the contributions of the two sections of the industry in the supply of the internal market had been as 7:1. The Metal Central set up in the autumn of 1914 was later under political pressure limited to Austria, separate Centrals being set up for Hungary and also for Bosnia-Herzegovina. When in January, 1915, the Central Government decreed the requisition of all metals, the Hungarian Government insisted on having the decree rescinded for Hungary; as a result large quantities were hurried from Austria to Hungary, expecting thus to escape requisition. The extraordinary shortage of leather toward the end of the War led to the complete closing of the frontier between Austria and Hungary to traffic in leather goods.

The same thing happened in regard to timber. In this particular case the effect was still more pernicious. Other parts of the Monarchy besides Hungary had extensive forests, and Hungary's example spread to the more or less autonomous provinces. Not only Hungary, but in this case also Croatia and Slavonia, insisted on their separate legal rights in disregard of the common need. When after long negotiations Hungary at last agreed to allow the direct transport of Hungarian timber to the front, the agreement was upset by the refusal of the Croatian provincial government to recognize the decision of Budapest. In the end, the Imperial War Ministry had to send plenipotentiaries to negotiate separately with the Hungarian Government in Budapest and with the Croatian Government in Zagreb. Later, again, Zagreb regarded the creation of a Hungarian office for the control of timber supply as an illegal interference, and secured a separate office for Croatia in Zagreb. By the

spring of 1917 timber had become indeed almost the first foundation of full-fledged Hungarian independence. All timber destined for export "abroad" had to pass through the control of the new Hungarian office. Austria was regarded for this purpose as "*Ausland*" and all timber destined for Austria, no matter whether for private or for public use, was subjected to the control of the Office and to the high export tax which it levied.

Indeed, in the purchase of certain special kinds of timber Germany was repeatedly more successful than Austria in her negotiations with Hungary, because she could offer more desirable goods in exchange. In this and other similar ways the economic war problems became the plaything of separatist political tendencies. The Monarchy thus had to fight through without a joint and efficient organ for dealing with those problems which were ultimately to decide the War—the problem of economic resistance. Hungary, in fact, drew the line at any common action with Austria beyond the great common army with its unified command. For the rest, toward the end of 1918 papers and politicians on both sides had reached the point when they openly described the dualistic system as an unbearable nuisance. The growing constitutional disintegration found peculiar expression in the circumstances of the collapse. It has been said very rightly that while the political status of Austria's bureaucracy may have been all wrong, there was much to be admired in its administrative efficiency. Perhaps the best proof of this was the amazing way in which the break-up of the Empire did not stop even for a day the work of the local and central authorities, and of the other official agencies in the new Succession States. The State was dead, long live the State! A new flag was sported outside, but inside the work went on with hardly a jolt.

But if in a way this was a tribute, and a well-deserved one, to the efficiency and fine traditions of the administrative system, it was also a complete exposure of the supposed unity of the political system. Together with the utter lack of any resistance to the break-up on the part of the masses or of the troops, though they were completely out of hand, the ease with which the administrative system split up yet continued to work proved how incredibly superficial had remained the Austrian ideal under the grandiose canopy of the Empire. In the case of composite empires, therefore, the reaction to the extreme pressure of war government tends to become political and not merely

social, centrifugal and not merely radical. Essentially the nature of the process was similar to that which sped the Russian Revolution. It was at bottom a rebellion against autocratic power. But when that power happens to be the only binding force of empire, its fall inevitably brings in its wake also the break-up of the political conglomerate. War government in such cases carried with it both a fear of greater domination and an opportunity for greater independence. Under the pressure of desperate daily needs the tenuous sentiment of political unity was swamped by the instincts of national selfishness. The economic unity of the Hapsburg Empire—its chief posthumous reputation—had in fact ceased to exist before the military collapse, and that through the action of internal forces and tendencies.

### *Some General Conclusions.*

The nature and effects of war will utterly change if it comes to be waged predominantly with economic weapons. Formerly quick and original strategic military moves were considered as alone capable of deciding a campaign. In the last war the principal problem was how to keep the armies in the field over as long a period as possible; hence economic resources and organizations were the decisive factor. Those belligerents who could not maintain economic contacts were rendered impotent for military ends. The Allied Powers made costly attempts, therefore, to open the way to Russia; the Central Powers made a special effort to overrun Serbia and open the way to Turkey, and afterward to overrun Rumania and gain access to her resources, as they tried also with the Ukraine. In none of these cases was the issue of importance from a purely military point of view. While, therefore, it may be easy to criticize the system of war economics in retrospect because it was not based from the outset upon a systematic plan, the obvious answer is that no one had foreseen the new nature of war. It was not realized even during the War, except gradually, and then acknowledged but reluctantly. By the end of the War, however, hardly any aspect or branch of economic life had remained outside the scope of war government.

Speaking for Austria, Dr. Riedl says that "from the moment when the raw material was produced until the moment when transformed into goods ready for use it reached the intermediary trader



and finally the consumer, it was at every step accompanied by regulations issued by a Union with the sanction of the Government or by the Government on the recommendation of the Union. Along its whole course it was manufactured, handled and disposed of systematically, on the basis of uniform regulations." One may complement this with the words of M. Delemer which sum up the economic action of war government in France: "On the eve of the armistice the State had reached the point of absorbing for the needs of the war nearly the whole of the available material resources. Requisition, within the country, appropriated French production, so far as it survived. The system of importation, which was centralized in the hands of a few organisms, no longer allowed anything to filter through that was not for the public service." One might lay it down as an axiom that in a modern war every resource and every activity of the nation has to be harnessed systematically to the one purpose of war; that anything which has to be organized nationally requires the intervention of the law and of the executive.

Economic organization and control during the War was like a malignant growth. It grew in the measure in which a particular need was hard to satisfy normally. Thus in Austria-Hungary, by the last year of the War, the system for the distribution of food had reached an enormous size; its main decrees alone filled two ponderous volumes. But at the same time and at the same pace the supply of food grew steadily worse. That material conditions were above all responsible for this is obvious. Certain contributory causes, admittedly of secondary importance, are, however, interesting from the point of view of a study of government. It was characteristic of the system that all the measures had to be improvised, and that without any consultation of public opinion. The stringent censorship, coupled with an excess of military and bureaucratic power, did not really give the public a chance to assist the authorities in devising and applying their policy. And all those measures had to be applied uncompromisingly as soon as devised, contrary to the established practice of normal government, which has to elaborate its measures carefully and discuss them thoroughly with the parties interested before enactment. For this very reason even dictatorial war governments had to proceed rather step by step, so as not to give their public opinion disturbing and recoiling shocks; whereas open discussion of

ways and means might have made it possible to adopt from the beginning a comprehensive plan.

There is no doubt, however, that this gradualness was partly dictated by political opportunism. The measures were represented not as what they truly were—every one of them a demand for a fresh sacrifice from the nation—but rather as a means for bringing greater comforts to the people. In fact, histrionic talents were constantly employed in efforts to convince the nations that they could have war without its consequences. Great and courageous statesmen like Rathenau had to fight the politicians, not the people, before the necessary economic measures were adopted. And even then they were adopted only piecemeal. Speaking from an unique experience, Dr. Riedl, the head of the Austrian Wartime Organization, declares that its chief defect lay in not having been radical enough from the beginning. From this point of view there was some justification for the wish of the military to bring every possible resource in material and personnel under their control; though with them it was a habit of mind rather than a policy born of knowledge and vision and experience. But they were right in principle because they were single-minded. Experience as well as theory are forcing us to recognize that no other standpoint is possible in a modern war.

It is now being questioned whether interference on such a scale with economic life is justified at all unless it be carried out to its logical limits and without hesitation, and on principles devoted unreservedly to the common needs of the community. An Austrian commander in the late war, General Krauss, has put the military point of view very clearly: "The establishment of central control can have no other purpose than to check the outgrowth of untrammelled economic speculation. To achieve that it must eliminate free economic life altogether. Merely to hamper or try to shackle it is useless. On the contrary, that only engenders worse speculation and corruption." Economic control in Austria-Hungary should, therefore, have been carried through fully over the whole territory, and should not have allowed two autonomous sections to exist side by side in one economic unit. Moreover, "it should not have been applied separately to the several branches of economic life, without any regard to their mutual dependence, but should have had a common direction, ensuring the co-operation of all, organized on a strict public basis and not

through commercial bodies with monopolistic privileges. . . . For the many-sided Monarchy such an organization could have been achieved only on a military basis."

In this criticism of the past we get a vision of the future, if war should come again. The same is true of the further complaint of General Krauss that "there was no law for compulsory service for women; just as we did not think either in peace or now in war simply to subject all the personnel of industry to military service and to place them under military law." The new French bill for the organization of the nation-in-arms comes very near to fulfilling the doctrine of the Austrian general.

The new economic functions which had to be assumed by the State during the War had a rebounding effect upon the powers of the executive. Special powers were sought by the executive for the control of supplies and of production. In its turn, every new resource and activity brought under public control automatically swelled the influence of the executive. The executive not only could make rules at its own will, but itself carried them out, as dispenser of the necessities to which those rules applied. The rules so to speak were now made by itself for its own guidance, and were no longer agreements determining the rights and duties of the subjects; and its power of enforcement depended not on the neutral judgment of a court of law but on its own decision, and on its own compelling ability to withhold supplies. Divested of all patriotic draperies, the brutal truth stands out naked in the dictum with which the French Minister of War modified by decree a formal statute: "*En fait de contrats je n'en connais qu'un en ce moment; c'est le contrat qui nous lie tous pour le salut de la patrie.*"

War government it seems has brought us thus to the paradoxical position that a communal emergency is incompatible with the "social contract." As practiced in the World War, it united in itself the maximum of executive action with the minimum of public control. As a general rule it was the more forcible the more backward the country. Needs were pressing there no more than elsewhere, but the normal organization was more deficient. Lesser administrative experience and tradition, coupled with the weaker civic tradition of the inhabitants, had to be compensated for by more extreme forms of state control; and in such countries, also, a less alert public opinion and weaker representative institutions also allowed greater op-



portunity for an excessive use of war power. The main difference between Eastern and Western Europe was not one of substance; in fundamentals the lines of war government were everywhere alike. But there was a marked difference in the degree of stringency, expressed in the proportion in which the ingredients of police measures and organizing measures were mixed in the system of functional war government.

It is probably also true to say, in a general sense, that the more reactionary and brittle the political constitution of a country, the more despotic of necessity had its political war structure to be. In the West the essential end of war government was to bring about the widest possible co-operation of all factors and sections of the country. In empires like Turkey and Austria-Hungary its business was at least as much to secure "internal peace and order," to protect the back of the armies and the working of the war-time administration. In other words, in each country the methods and the spirit of war-time government have tended to approximate to those of its peacetime government. The nature of the relation between rulers and ruled, of the "social contract," was in both periods similar; only the sphere of action and the weight of authority increased.

At the same time, the apparent resemblance between the absolutism of modern war government and that of the old political autocracies lies wholly on the surface. The war absolutism could not revive a belief in the quasi-divine attributes of Authority. Its evolution has indeed been all the other way. A careful analysis reveals that as the War proceeded a great transformation took place in the essence of war government, in direct relation to the change in the nature of the war problems. We have seen how in certain typical countries among those at war the tendency was at first to surrender all political power, with hardly any checks, to the executive; but how later—as the duration and strain of the war increased—the use and usefulness of those almost absolute powers began to be questioned. Thereafter the governments sought to allay uneasiness and doubt by restoring some of the usual means of political discussion and control. At the same time, however, the people increasingly approved the granting of wide autonomous powers to specific bodies, or even to individuals, entrusted with the execution of specific vital tasks. Examples can be found in every country in the fields of food supply and war materials, of land transport and shipping, etc. While,

therefore, the early political dictatorship was gradually questioned and restrained, a new functional dictatorship, under ultimate popular control, was allowed to rise and gradually to rule the whole economic life of the nations.

Our recent experience has thus brought us face to face with a deep-reaching change in the nature of war government, with features and consequences which need to be weighed carefully. If more realistically grounded, more acceptable to our modern views on the justification of power, the powers of this new kind of war government are if anything more formidable and potent. It does not control so sternly the ideas of its subjects, but it commands their means of life; it does not claim abstract attributes, but it assumes vital functions. In that shape it wields a power more absolute in fact than autocracy ever did. In that guise it can command services without the use of the press gang, simply through its power to withhold supplies. It need no longer go out of its way to lay hands on one or the other male members of a family: the war system gives it means, so to speak, to blockade a household into submission—in those countries, at any rate, in which the self-sufficient state of the peasant or artisan has disappeared.

The consequences of the change may on further experience turn out to be as significant for the governments as for their subjects. Under their former political absolutism their action in case of emergency was one of denial of certain private rights and of restriction of certain public rights of the subject; it was chiefly a matter of warding off interference, and that was easily achieved at need by a show of force. It is in the nature of functional emergency government rather to impose upon the subjects certain positive duties, to claim from them continuous and self-sacrificing service; and it is questionable whether that can be obtained beyond a certain inadequate point without the subject's implicit consent. This condition brings out clearly the truly fundamental difference between the old and the new, as well as its peculiar relevance, as the fate of Austria-Hungary proves, to the region with which we are specially concerned. It suggests that states in which political dictatorial methods are in normal use for keeping in subjection substantial minorities, national or political, are the states in which the functional dictatorship necessary to an emergency may find its workings clogged by the small but stubborn grit of passive resistance. In other words, if

in the "nation-in-arms" each new function gives the executive added power of rule over the people, it also makes the success of its rule in an equal degree more dependent on devoted performance by the people. Or, to use a military analogy, the extension of the functional front, like that of the battle front, carries with it a weakness, if it be not furnished with adequate support.



## CHAPTER VIII

### WAR GOVERNMENT IN OCCUPIED TERRITORIES

A BROAD comparison of the new system of war government which the several belligerent countries had to adopt, with that in some of the occupied territories, may serve to bring out whether, and to what extent, its method and spirit were in fact the natural results of the system. The region with which we are dealing included two of the main territories which during the War fell into enemy hands. The whole of Serbia and two-thirds of Rumania were for a long period under such military occupation. The importance of this circumstance for our study arises, however, not from the size of the occupied territories but from the unusual kind of war administration bestowed upon them. One must remember that, unlike Belgium, the countries of Southeastern Europe were occupied fairly late in the War. By that time the economic problems raised by the conflict were making themselves sharply felt, and the conquest of the two countries was undertaken less in pursuit of military strategy than in the hope of acquiring new sources of supply. In keeping with this purpose the administrative system set up in them was attuned to economic rather than to military ends. By that time the Central Powers were able to apply it comprehensively and systematically, on the strength of the experience with war government which they already had in their own lands; all the more so as both in Serbia and in Rumania the governments had withdrawn with their armies and had left a political vacuum. Hence the occupying authorities were able to proceed unhampered, without regard to political reactions, and in these occupied territories, therefore, the new system of war government found, so to speak, its purest expression.

In the words of the Austrian commander in Serbia, General Kerchnawer, "the peaceful method of administration in use at home, with its long hierarchical chain, and its often inadequate executive powers, was here out of place." "At home," as we have seen, one of the weak spots of war government was that it could not be applied fully from the beginning. There were many reasons for this—friction between military and civilian authorities, the resistance of

vested interests, regard for or fear of public opinion, the wish not to encroach too much on existing economic arrangements and ways of living, etc. None of these obstructive factors had to be taken into account in the occupied territories. The military rulers did not feel the restraint of established forms and customs, of political and social considerations. They could be aloofly indifferent to the claims of producers and consumers alike, or to the views of public opinion. On the other hand, the urgent needs which had brought them into the country were pressing them to use their powers to the utmost. The temporary nature of their rule released them from the need to seek the trust of the local populations, while the problems of war pressed them to satisfy in the highest possible degree the immediate needs of their own countries. In the occupied territories, therefore, the system of functional war government had but one clear-cut aim and one sharp method: to get as much as possible out of the country, and to get it simply by taking it or by imposing its surrender.

One may naturally expect to find all the aspects of functional war government intensely sharpened in such circumstances. Experience shows that as the functions of the state expand, the powers of the officials grow. In time of war and in enemy country the military official, in control of alien and unfriendly subjects, is apt to become a petty tyrant; all the more so when urged to stringency by superior orders and by the cries of distress from home. In such circumstances one can hardly speak of restraints upon individual liberty. It would be more accurate to say that it was wholly suspended. Between the rulers who ordered and the subjects who had to obey there was no common bond of sympathy or understanding, and no protecting buffer of parliament or press. The military both made the law and applied it. In Rumania the military head of the Bucarest police was invested by his commander-in-chief with power to issue ordinances, and to inflict summary punishments up to six months' imprisonment and a substantial fine. This decree, as that police officer later said (and as quoted by Dr. Antipa), "formed the basis of all the ordinances and of the numerous punishments which were inflicted during that period. These punishments had a great educational effect on the population. It was the sole means of training the inhabitants to follow the ordinances."

Political and judicial government was thus summed up in the will of the alien military commanders and police, without even the direct

supervision of their own chiefs and governments at home. One can compare their position only with that of a commander of Roman legions ruling in distant conquered lands. Such a wilful system offers little that is relevant to a study of methods of government. As a curiosity one might merely note the revival of the custom, so characteristic of the old barbarian campaigns, of taking persons of eminent rank as hostages, or of holding them in advance responsible for possible untoward incidents over which they had no control. On the whole, from the political standpoint, war government in enemy territory worked with rules taken from the Middle Ages, but with the more effective modern instruments of supervision and enforcement.

In the political field there is really no way of comparing such a system of government with that prevalent in peace. It is indeed only by a greatly strained terminology that it can be dignified with the name of government at all. A government, however autocratic, has as its purpose if not to advance the social well-being of the people at least to strengthen the political power of the state. In the territories occupied during the War the first was not possible and the second was not intended. On the contrary, the only end in view was to take away as much as possible, without regard to the weakening effect on people and land. Again the only comparison possible is with the barbarian and medieval plundering expeditions; for in later centuries armies operating in foreign lands claimed local supplies for their own needs, but hardly for the needs of their homelands. In the World War, as of old, the supplies consumed on the spot by the occupying forces were but a small part of the total supplies extracted by them from the occupied territories. Hence the system of government was reduced essentially to an administration predominantly economic, and working rather according to plantation methods. It was political merely as a police, whose task it was to drive on the system and prevent damage to its machinery. The ways and results of the military administration in occupied territory have been described in detail in two able monographs in this History.<sup>1</sup> The one

<sup>1</sup> Hugo Kerchnawe, *Die Militärverwaltung in den von österreichisch-ungarischen Truppen besetzten Gebieten*. Dr. G. Antipa, *L'Occupation ennemie de la Roumanie et ses conséquences économiques et sociales*. In addition, a certain amount of material, from the Serbian point of view, will be found in Dragolioub Yovanovitch, *Les effets économiques et sociaux de la guerre en Serbie*.



on Serbia, from the pen of General Kerehnawe, is written from the standpoint of the occupier; that on Rumania, by Dr. Antipa, from that of the occupied country. Here we are not concerned with the justice or injustice of the system, but merely with its organization and methods of work. If in the summary description which follows greater use is made of the second monograph, that is solely because the conquest of Rumania was more single-mindedly spurred on by economic aims, and the organization set up there more intransigently fitted to that end.

*Conquest for Economic Exploitation.*

The essential purpose of the enemy occupation of Rumania has been put clearly in a pamphlet by one of the ablest members of that administration, Dr. T. H. Mann: "The acute character of the economic conflict caused by the World War; the sufferings of the civilian population as a result of the boycott and of the blockade; and, on the other side, the requirements of their antidote, the submarine war, explain the deep reasons why the war economic organization in Rumania concentrated its efforts on agriculture and the oil industry, and endeavored to obtain the quickest results from them. Work in these two fields attracted above all the attention of the specialists. Of course, the economic activity of the war system in Rumania could not limit itself solely to the revival of agriculture and of the oil industry." And the report of the special committee, which inquired into the matter at German headquarters, stated that the purpose of the administration would be "the fullest exploitation of the occupied part of Rumania in order to secure and export as quickly as possible everything which would be useful for war purposes and for the provisioning of the allied countries."

The system is here frankly defined as one intended to exploit and secure as fully as possible the resources of the occupied country. The administrative system was organized in keeping with that end, and with a rational ruthlessness which will no doubt offer a model for future use. The setting up of a military administration for the whole country, with a special "economic general staff," had been decided by the German military high command long in advance of the actual occupation. A special committee was appointed to study the essential principles and forms best suited for that administration.

On the basis of their report the matter was then discussed with the authorities at Berlin and with delegates of the countries allied to Germany. The minutes of these discussions fill two substantial volumes, giving a graphic account of the difficulties which had to be overcome, as well as of the thoroughness with which every aspect of the task was prepared in advance. In that way an economic war organization, unique in size and completeness, was built up for the admitted purpose of exploiting in the fullest possible way the productive forces of Rumania. It is significant that the plan for the military administration of the occupied territory was not ready until a month or so after that for the economic general staff. And while the administration did not get to work until May, 1917, and remained in effect subordinate to the activity of the economic staff, the latter followed closely and step by step in the wake of the military advance.

The outline of the economic plan having been laid down very early, those entrusted with its direction began—only a few weeks after Rumania's entry into the War—to appoint the necessary personnel. The economic general staff, thus fully organized, kept closely behind the fighting troops. Early in October the organizers of the staff were discussing their plans in Berlin; by the middle of the month the staff was ready for action. During the battle of Turnu-Severin the economic staff had its quarters at Semlin; when the battle-front neared Craiova the staff was at Turnu-Severin; when the troops were fighting on the Argesh the staff moved to Craiova; and on the very evening of the day when Bucarest was occupied, on December 6, the leaders of the staff were installed in the building of the Rumanian Ministry of Agriculture and already directing operations by means of special telephone wires laid during the day. A few days later the special paper currency printed in Berlin for use in Rumania began to arrive. The export of corn had actually begun at Turnu-Severin, before the capital was taken. This haste was a measure of the great need in which the Central Empires were finding themselves. An early decree of the military governor enjoined the economic staff to "guarantee a new harvest by cultivating as fully as possible the occupied territory," and insisted that "one must use every means to see that Rumania remains a granary for the allied countries." The first secret report to General Headquarters, covering the period to December 31, disclosed already intense activity in the requisition and export of supplies.

The administrative apparatus was built up in accordance with these aims. At first rather simple, it was composed of ten sections: information, finance, food and fodder supply, military raw materials, mineral oils, agriculture, timber, labor, transport and compensation, use of machinery. But this subdivision was enlarged and became continually more complex along with changes in the economic activities of the staff, and with increasing demands from home. By the end of March, 1917, the organization already contained twenty-one divisions, not counting the many bureaus, group sections, special services, etc. All that showed the constant effort to improve the machinery and to adapt it to local conditions of production and supply, so that the process of absorption might be carried out more thoroughly. Toward the end the divisions and subdivisions of the economic staff numbered well over a hundred. When it looked as if this purely authoritarian instrument would fail to bring about an increase in the level of production, or even to maintain it, the military governor created, about the middle of 1917, an additional body, in which the native producers were to co-operate both in planning production and in fixing in advance the prices at which the produce was to be surrendered. The new body was known as the Rumanian Economic Union. Its task was to further agricultural production through direct contact with the producers, and by allowing the latter a voice in the management. The Union had secretarial offices at the various military bases, and economic missions in every commune. It was in effect a looser branch of the section for food supply of the economic general staff.

The means through which the purpose of the economic staff was to be achieved did not differ in principle from those employed by the belligerent states within their own frontiers. The husbanding of supplies began with a strict rationing of consumption. Infractions of these regulations were punished summarily and severely by the military police. The surplus was seized in a great variety of ways: prohibition to carry the goods outside the limits of the particular military base or to change the place where they were stored; orders to surrender the goods under threat of confiscation and punishment; direct purchase at fixed prices and requisitions against certificates. By one means or another, after trying to stimulate production, the harvest and other supplies were invariably seized by the occupying authorities. Such requisitions could be undertaken even by local



commanders on the strength of general orders. The first secret report of the raw material section offers a glimpse of the methods employed. It stated that the activity of the section had already begun to some extent during its temporary stay at Turnu-Severin. "The town and its neighborhood were systematically searched, in agreement with the commander of the base." Later the section set up a system of information and reporting which enabled it to control the circulation of the materials over the whole occupied territory. Their transport was forbidden without permission of the section, which was also needed for manufacturing textiles, leather, etc., within the occupied territory. As conditions in the Central Empires became more difficult this was reflected in the hardening of the system in Rumania. So-called "reinforced" requisitions were then ordered, and these extended not only to raw materials and to general supplies but also to household utensils and personal objects, which were collected with great vigor from house to house.

#### *A Military "State Socialism."*

The function of the economic staff, however, was not limited to seizing available supplies and stimulating production in a general way. Its task extended also to the direct organization of production, and in that field the system of war economics in the occupied territories was more original still. The military authorities assumed in principle control of every source and means of production. In practice land, vineyards, forests, mines, factories, workshops, warehouses, etc., were to remain private property—if their owners were willing to use them in accordance with the instructions of the occupying authorities and to surrender produce and goods at the prices fixed by those authorities. Whoever resisted or failed to carry out those instructions saw his property placed under compulsory exploitation. Nor did the economic staff rest content with laying hands on such properties and using them as they stood. Factories and workshops, as well as any other instrument of production, were rearranged and redistributed geographically to suit the systematic plans of the economic staff. In that way all the industry within the occupied territory was considered at the disposal of the authorities. It did not matter to whom the factories and works belonged. They were all requisitioned or placed under compulsory management, be-

coming in fact and for the time being the property of the military administration, organized and run according to its plans.

The execution of these plans depended on the possibility of disposing freely of all available machines and instruments, so as to use them where they could be best employed. This often involved, therefore, the transformation of existing industrial establishments, so as to make them serve for the satisfaction of new requirements. An order of the chief of the economic staff stated that "all machines and belts available in the country are to be confiscated; it shall be forbidden to remove them and they will be placed at the disposal of the section for the use of machinery." For the setting up of new factories only special machines were brought from Germany; all the remainder—boilers, engines, etc.—were requisitioned in the various parts of the country and removed to such buildings and places as the respective section of the economic staff found most convenient for production. The agricultural section collected machinery and implements, vehicles and draft-animals, etc., and transported them where they were most needed. As carts and oxen were a vital possession for the peasants, it meant that the owner had to go with his possessions. The food section collected from everywhere the machines or such parts of them which it needed for its big jam factories; and so did the oil section with the materials required for its oil wells. The consequences of that system were bound to be the more disturbing the shorter the period during which the special war organization was to exist. The old industry, based on the normal needs and resources of the country, was severely disorganized and impeded by these peculiar arrangements from resuming its natural work after the end of the War.

From the beginning, as we have said, special attention was paid to agriculture and to the oil fields. Agricultural production was based on the same authoritarian conception which set aside the customary privileges of private property, and treated the whole country as a unified field of controlled production. Owners of land no longer could arrange cultivation as they wished or found most profitable. A general plan of cultivation had been worked out for the whole country, and this was applied by experts attached to the base commanders and by officers of the economic staff in accordance with directions received from the center. If large properties in the corn belt were short of machinery or animals or labor, these were brought

from the less productive hill regions, where the peasants were left to carry on as best they could. In the same way cattle were moved freely to other districts in accordance with a scheme of adjustment. Even agricultural buildings were taken to pieces and set up again upon other distant properties. In Serbia the military authorities took over the management of certain properties and cultivated them with the aid of the troops. General Kerchnawer thinks that the soldiers worked with great zest, and that but for unsatisfactory weather conditions the result would have been highly profitable. Dr. Mann also considered that the system applied in Rumania had set her agriculture on sound legs again. Dr. Antipa's conclusion is very different indeed. He maintains that the system had disastrous effects. The farmers were often obliged to grow solely or mostly plants giving vegetable oils, etc., though they knew that their land was unfit for such crops or that they had no means to gather them. They were thus ruined by an action which was imposed upon them. And in a country of small and self-sufficing peasant cultivators, such wilful and extensive interference had disturbing effects which made themselves felt long beyond the duration of the system.

For the exploitation of the Rumanian oil fields a special section had been set up on the spot, with military and technical personnel. Oil companies and individual owners were called upon to resume working within a month and to hand over the product at fixed prices. The properties of those who failed to comply remained at the disposal of the military authorities. Most of the companies resumed work on the basis of a plan laid down by the mining section. This section itself took over the exploitation of the fields belonging to companies which had not resumed work. In the same way, "material belonging to companies which were not ready to work was put at the disposal of the companies which were working." In Serbia all the mines were taken over by the military mining office and were manned and worked with officers and soldiers who had mining experience. Likewise, in Rumania all forests, whether belonging to the State or to private owners, were brought together under a unified administration and exploited after a common plan.

Labor was treated like every other factor of production. In the case of agriculture, which in Rumania was carried on almost wholly with the instruments and animals of the peasants, the "rational" use of carts and animals amounted indirectly to forcible work for their



owners. But apart from that, the military authorities did not hesitate to impose compulsory labor whenever it had need of it for "military exploitations." In Serbia the occupying authority revived the so-called "Kuluk" law, dating from the Eighties of the nineteenth century and no longer on the statute book. Inhabitants of a particular commune had to present themselves, or to send deputies, with or without tools, or when necessary with carts and animals, etc., to do public work during a few days of the week. This law was applied generally also in the large towns. When the required number failed to appear, the military police simply pressed into service anyone upon whom they could lay hands in cafés and in the streets. "The higher the class to which belonged those forcibly enrolled in that way," says General Kerchnawe, "the surer one could be that all the necessary workers would turn up on the following day." The same methods were employed at harvest time, groups of laborers being led and supervised by military cadres. Most of these men, thinks the General, were glad enough to be at home and quite willing to work. "Military discipline did the rest."

#### *The Social and Economic Effects of the System.*

It is interesting to find that in the occupied territories, too, growing shortage induced a relaxation of the original system of economic war government. The reasons for the change, as well as its nature and effects, were identical with those which prompted similar changes in the belligerent countries. It was not really, as might appear at first sight, a tribute to the high capacity of official enterprise, but rather a conscious relaxation of public control. Under the stress of circumstances the authorities found it useful to pander in some measure to the methods and instincts which make the wheels of private production and trade go round. In Rumania the system of requisitions was giving ever diminishing results. Therefore, in 1917, a new system was tacked on to the existing organization, and some of the activities of the economic general staff were put on a commercial footing. Instead of securing supplies through its own agents, the economic staff concluded contracts with private traders, who received a kind of monopoly for the supply of a particular object in a given district. These middlemen continued, however, to be assisted by the military in the gathering of supplies.

By 1918 every possible source of production, with the exception of wheat, fish, and oil, was being exploited under this system of monopolistic concessions. All the products falling under this system were formally sequestered; freedom of trade in regard to them was abolished, those who had received concessions alone having the right to buy such products and to deliver them to the military authorities. The concessionaires were able to collect not only raw materials and foodstuffs in a raw state, but also to requisition the machines they needed for transforming those materials into marketable products. The market was in practice altogether in their hands, even for private supplies. For in order to cover its own needs more cheaply the military administration left a certain proportion of necessities—25 per cent or so—free for internal consumption; but these were sold not by the producers but by the concessionaires, who alone were entitled to carry on wholesale trade. In that manner the normal contacts between consumers and producers were completely severed. Those who had the means would get what they needed at exorbitant prices in contraband; the poor housewife had to wander miles into the country to get something for the table, bringing it back well hidden to escape the meshes of the military police.

According to Dr. Antipa, the system had disastrous effects upon the state of country and people, as upon the morals of the military organs. As in Austria, this transition from public to semipublic control was in fact recognized as an extra turn of the screw, as a means of getting more from the producers by allowing private intermediaries to ride, with the tacit connivance of the authorities, beyond the margin of the law. A system which had at its disposal all the official means of constraint, but at the same time was allowed to work for profit—on the size of which apparently there was no restriction in the occupied territories—and without any check on the quality of the product, had all the inducements to develop into ruthless abuse. To get the “best” results the authorities naturally sought to use as middlemen people who had knowledge of a particular trade; but those people were also likely to have momentary or future interests of their own to further. Experiences of this kind are likely to convince general opinion that in similar emergencies the safeguarding of the elementary needs and rights of the people will demand a system of full public control, even if it were to prove less skilful in extracting the last ounce of possible supplies.

A semiprivate system working for profit had every temptation to use its powers, so much more unchecked in occupied territory, for illicit ends. To what extent that was the case in Rumania would be difficult to prove. It is significant that during the negotiations at Bucarest for a separate peace between the Central Powers and Rumania, the military authorities made an attempt to continue the system of concessions even after the eventual signing of the treaty. One of the proposals suggested that concessions granted by the military authorities, and still in force at the date when the treaty would be ratified, should remain valid, "the Rumanian Government undertaking not to place any obstacles in the way of the exploitation and export of goods delivered on the strength of those contracts." Another proposal sought to bind the Rumanian Government to leave free in every way the import of raw materials and machines needed by the jam and preserve factories "managed by the Central Powers or working on contracts for them." Members of the corps of occupation were, in such conditions, as unlikely to remain immune against the temptation of putting to profit these untrammelled opportunities as were the business men and the officials of the occupied country. Intermediaries were easily found, and it is clear that power was likely to be given to those native officials who were more amenable to the wishes of the occupying authorities. Others accepted appointments as a means of paying off old scores against competitors or private enemies. Military authorities in enemy country, especially when they are there to secure supplies by hook or by crook, will inevitably make use of spies both for political and for economic reasons. The system was thus prolific in breeding informers and dishonest gain. Professor Yovanovitch asserts that there were "vindictive, bad and dishonest mayors who made enormous fortunes. Real robbers came to be in charge of communes and used their privileged position to exploit their fellow citizens. Many of them were killed by the population. . . ." In Rumania, after the War, 508 communal councils were dissolved and 202 village mayors and local officials were dismissed for having aided enemy requisitions or abused their powers for personal gain. It was inevitable that most of the victims should be from the families whose menfolk were at the front.

Corruption added to excessive official pressure gave rise as everywhere to attempts at evasion, and this in turn to an elaborate economic police. Between the end of 1916 and mid-June, 1918, the eco-



conomic staff working in Rumania had issued 19,797 ordinances for the occupied territory. On their part the inhabitants used bribery or subterfuge to escape in some measure the flood of impositions in which they were desperately floundering. The peasants, especially, proved highly inventive in secreting part of the harvest; they hid the corn in underground pits or frequently in coffins which were buried with the usual sad pomp in the local cemeteries. The occupying authorities tried to protect themselves, in Serbia as in Rumania, by placing military guards to watch the threshing of the peasant crops. Guards were also placed in those flour mills which were authorized to mill the corn left free for private consumption. In the same way, the peasants in Rumania were not allowed to shear their sheep except in the presence of agents of the section which had charge of wool.

Some of the less satisfactory aspects of war government in occupied territory have been attributed by the military commanders to the fact that politics could not be kept altogether out of the administration. The Austrian commanders apparently would have liked to take as a model the administration set up in the eastern provinces acquired by Austria during the eighteenth century—a system “which extended not only to all the branches of the administration and to all administrative authorities, but in some way reached even into house and family.” General Kerchnawe asserts that this was opposed by Hungarian and Polish members of the Monarchy, who feared that in that way the occupied territories would be too closely attached to Austria. Another drawback resulted from the absence of a personnel specially trained for this kind of administrative task. Apart from such considerations of personnel, the character of war government in occupied territories was greatly influenced by the ultimate aim which inspired each particular conqueror. One finds in this respect curious variations between one country and another, and between the members of one and the same group.

Political sentiment would seem to have had a considerable share in this. Serbia was at first occupied by German troops. During the few months they stayed in the country relations with the inhabitants amounted “almost to friendship.” The German troops did much, according to Professor Yovanovitch, to moderate Bulgarian excesses. “These people have done no harm to our peasants; on the contrary they have often been useful to them.” When a little later the territory was taken over by Austro-Hungarian troops, the char-

acter of the administration became apparently much more harsh and oppressive. Yet in Rumania the very opposite seems to have happened. There the Germans were in charge, and they seemed to have looked upon Rumania's entry into the war, because of her German dynasty, as an act of treason to be duly paid for. With a few individual exceptions, they applied themselves to using country and people ruthlessly and with complete indifference to local sentiment. And the Bulgarians, according to Dr. Antipa, were still worse; since 1913 they had nursed a deep grudge against Rumania for her intervention in the second Balkan War, and they apparently used this opportunity to vent their feelings in acts of wanton destruction. The Austrians, however, acted here on many occasions as a restraining element.

The only inference one can draw is that in occupied territories the arbitrary system of war government is apt to put on spurs when a feeling of political antagonism is added to economic needs. Of great interest is another point brought out by Professor Yovanovitch. He states that during his extensive inquiries he did not hear a single testimony in favor of the Austro-Hungarian or Bulgarian régime of occupation, or of conditions in the concentration camps of Hungary and Bulgaria. On the other hand, "we have never heard a single peasant complain of his fate as soon as he was released from such camps and set to work for an Austrian, Magyar, Czech, Polish or Bulgarian landowner. Do not these two facts prove sufficiently that we have here to do with an organized system, deliberate and carried out to plan, which has nothing to do with the psychology of the nations and which springs solely from an idea and a policy determined in advance?"

If the methods and effects of war government have been still more severe in occupied territories, that was due to a number of secondary reasons. There is first the tone and the temper of undilutedly military rule as such, probably made worse by the fact that the best of the native elements usually dislike having any "commerce with the enemy" and thereby leave the field free to the more doubtful of their own compatriots. There is secondly, and more important, the fact that the occupying authority can have only an indirect interest in the local population, while it has all the more interest in the needs of its own home country; and its instructions derive not from superiors on the spot, who have to face facts, but from a distant hierarchy

which is monotonously and ceaselessly pressing for more. Dr. Antipa quotes orders from the German High Command which demanded that all supplies should be "taken in full" (*restlos erfassen*), and he shows that if the population did not suffer more it was often because the German authorities on the spot did not apply to the letter the orders received from home. A third reason, finally, is brought out by the General Editor of the History in his Preface to Dr. Antipa's monograph. The conclusion to which those studies lead is that, given the economic demands of a modern war, it is not possible to spare the civilian population from the consequences of the conflict. And, he says, "when a country suffers the inevitably severe occupation of an enemy who is in danger, those consequences, both psychological and physiological, are perhaps more marked and more lasting among the civilian population—women, old people and children—than among the combatants"—most of whom are likely to be outside the occupied area.

Be that as it may, the difference is only one of degree and of accent. The considerable approximation between the methods employed by the belligerents in their own countries and those applied by them in occupied territories, goes to support the point that what was commonly thought to be an outgrowth of "enemy" hatred had little to do with "enemy" sentiment. The system was in either case a product of war and not of sentiment; of that new type of economic war which has swept away all the old attempts at humanitarian mitigation. Their aim was to prevent excesses and, especially, to protect the noncombatants; but in the "nation-in-arms" noncombatants are no longer outside or above the battle.



PART III

THE EFFECT OF THE WAR ON ECONOMIC  
LIFE AND PROGRESS



## CHAPTER IX

### ECONOMIC DESTRUCTION

IN considering the economic effects of the War we shall continue to follow the lines adopted hitherto. No attempt will be made to collect facts and figures. For obvious reasons, war-time statistics are in a degree even more imperfect than ordinary statistics; and post-war statistics still more so. Because, as Professor Bowley says in his excellent little book on the economic consequences of the War, "statistics have increasingly become weapons of propaganda in the hands of politicians and nationalist writers, and some of the newly-created States are strongly nationalist and self-conscious, and are desirous of publishing only those data which show in some cases their importance, in other cases their needs. Add to all these difficulties the changes in boundaries which destroy the comparability of national statistics between pre-war and post-war years."<sup>1</sup> An attempt will be made, nevertheless, to disentangle certain broad tendencies; for, to quote Professor Bowley again, "tendencies and movements can often be observed without exact measurements." Nothing stands less in doubt but that the War has caused terrible loss as much to the victors as to the vanquished. To collect data for proving this precisely might be useful as a means of driving a truism home. Yet even if such a nice arithmetical demonstration were possible, it would disclose but a part of the truth. All the more subtle effects, temporary or lasting, which war on a large scale has upon established ways of social life, would escape such calculation. Yet the aftermath of the War has shown those less dramatic effects to be the more insidious from the point of view of historical evolution. Especially do they eat deep into political outlook and harden the economic individualism of states, thus putting back for a longer or shorter period the clock of international progress.

We have tried, therefore, in the following pages to separate the grave immediate material losses from the more or less temporary dislocation of the economic system, and this from the effect on outlook and policy. The duration and influence of the latter weighs more heavily than all the rest in the balance of international peace; be-

<sup>1</sup> Arthur Bowley, *Some Economic Effects of the War* (1930), pp. 18-19.



cause the first affects in the main the condition of each separate nation, but the latter weaves itself insidiously, for good or for evil, into the relations of the nations with each other.

In former wars, the main profit and loss account which each belligerent had to draw up concerned almost wholly the regions in which the actual fighting took place. That item still looms tragically in the balance sheet of the World War. Rarely since the withering passage of barbarian invaders in the dark ages of Europe has a region been laid so utterly waste by war, as have been those French departments along which the front settled down after the battle of the Marne. Everything that stood up above the level was razed to the ground, and the very entrails of the earth were torn and churned up by trenches and mines and by the ceaseless hail of monstrous shells. Nevertheless, this was but the usual aspect of war, merely made harsher by the new use of big guns and of high explosives. What distinguishes the World War from earlier wars, however, is not so much the destruction on the battlefields as the exhaustion behind the front. The one was brutal but localized. The other was merciless and without limit. Thus bluntly put, the antithesis may at first sight appear exaggerated, especially to the millions of men who have passed through the inferno of the battle zone. Yet the simple truth is that even the region of the Western front, so much more intensely battered than any other front, could be cleared of wreckage and brought back to life through the work of a few years. The exhaustion of the belligerent countries, however, is still unremedied. The one broke painfully some limbs of the countries at war; the other dried up their very marrow.

Actual destruction was suffered by the several belligerent countries in varying degrees. Germany suffered relatively little of it; Bulgaria and, among the new states, Czechoslovakia none at all. Austria-Hungary also escaped severe destruction, except for a while in Eastern Galicia. This merely offers another proof as to the relative effects of destruction and exhaustion. For if the Central Empires escaped lightly from the first, they were left prostrate by the second. In this respect the effect which the War had upon them differed greatly from that which it had on the Allied Powers. The latter had open access to many sources of supply; they were able therefore to replace materials and goods used for war or during the War, and the capital destruction of war expressed itself in a reduction of their

reserves of gold or foreign holdings and in a great increase in their debts. The Central Empires, on the other side, were quickly cut off from the outer world. In their case, therefore, the exhausting nature of the War expressed itself in the using up of their reserves of food, of raw materials, and of manufactures, which represented the bulk of the current capital employed in their economic life, as well as of large quantities of materials and objects withdrawn from private use and turned to war purposes.

No more dramatic statement of this effect of the War could be conceived than that given by Dr. Gustav Gratz and Dr. Richard Schüller in the Austrian and Hungarian series of this History.<sup>2</sup> It is a stark summary of facts and figures, industry by industry; but all the more staggering is the impact upon one's imagination of the iterative conclusion of each section, reproducing as it were in concentrated hammer blows the grinding action of four years of war. For a general picture of that process, as far as it was at work especially in Austria-Hungary, one cannot do better than restate in brief its expert description by Dr. Gratz and Dr. Schüller.

#### *The Four Stages of Economic Exhaustion.*

The evolution of the economic situation during the War shows for every group of objects, whether actually used in the conduct of war or in everyday life, a growing and parallel exhaustion. That process of exhaustion passed in almost every case through four phases, each of which had its own peculiar characteristics. The first phase lasted from the outbreak of the War until the beginning of the first winter of war. During that time the disturbance caused by the conflict in economic life was violent in the extreme. It showed itself first in the undermining, for various reasons, of certain branches of production. A first reason was the sudden calling up of workers; many undertakings which were not engaged on war work thus had to close their doors, simply because they did not see whence they could get the necessary labor. At the same time the usual markets were utterly upset; exports were almost wholly cut off, and at home trade in anything but necessities was at first at a standstill. Again, many industries were faced at once with a lack of raw materials, not necessarily

<sup>2</sup> *Der wirtschaftliche Zusammenbruch Österreich-Ungarns. Die Tragödie der Erschöpfung.*

because there was a shortage of them, but because the available supplies, having been requisitioned for military purposes, were not to be had at all, or only at exorbitant cost, for private needs. The conditions of the money market further contributed to that disturbance. The raising of the bank rate from 5 to 6 and then to 8 per cent had a discouraging effect on industry; so had the moratorium proclaimed at once at the outbreak of the War, as it impeded the free use of bank deposits. Moreover, the immediate cessation of all public works also reacted upon industry; and the complete suspension of all private railway traffic as long as the mobilization lasted, that is till the end of August, had, like the sudden departure of the workers, a bewildering effect both on industry and on agriculture.

The abrupt disturbance caused through these circumstances lasted, however, no more than a few weeks. By the end of August industry was already recovering from the first shock. Indispensable skilled workers were being released from military service, and women began to take the place of the absent men. The loss of foreign markets was made up for by fresh demand at home, especially from the army, which absorbed almost everything that any industry could produce. Private industries suffered at first, because private demand was disturbed, while the army seemed to have everything in excess. They began to recover as soon as it became clear that the needs of the army could not be satisfied by the few firms which had been producing war material already before the War, and that as large a number of industrial undertakings as possible would have to be enlisted for the production of military supplies. A few months passed, of course, before the readjustment could be made; during that period the army was insufficiently supplied, though in a decreasing measure. The exhaustion of available supplies was not fully overcome till the spring of 1915. During that phase one can distinguish thus three periods. The first was characterized by profusion in the army and shortage in private industry; the second, during the autumn of 1914, on the contrary by profusion in industry and shortage in army supplies; while a state of balance was reached only in the spring of 1915, a period which marked the second phase of war economics. During that first period began the process of inflation; at first it passed almost unnoticed, but later it had an enormous influence on the whole process of exhaustion. At the time one had the



impression that the revival in industry had brought with it easier conditions in the money market.

With the spring of 1915 began the second phase. It had all the appearance of a time of economic prosperity. Industry was in full activity, and the needs of the army were being satisfied with relative ease. According to normal economic standards a steady demand and a tendency toward rising prices are the tests of a good situation. During that second phase industry enjoyed an almost limitless demand at continually rising prices. Profits were great, new fortunes were rapidly made, and all means and resources were thrown into the process of reproduction so as to exploit those favorable conditions. Little notice was taken at the time of the loss in the internal value of the money thus gained. More and more factories were being placed in the service of the army. A few special materials were getting short, but were replaced with substitutes; coal and iron were still sufficient. The textile industry was working at full speed and the shortage in cotton did not begin to make itself felt until the second half of 1915. Agriculture, especially in Hungary and in the regions which lay outside the battle zone, reached in 1915 nearly the harvest of normal years, notwithstanding the loss of men and animals.

The real nature of that flushed prosperity was not then realized. It had its roots in fact in the enormous increase of the currency in circulation. By that means ready money was always available for the immense orders of the army, and the prices paid for them could be ever higher. "Inflation had upon economic life the same effect as a strong stimulant upon the human body," says Dr. Gratz in the discussion of the economic collapse, already referred to. This effect was perhaps more powerful in Austria and Hungary than in the Western states. As the blockade and other restrictive measures had closed most of the avenues through which money went abroad, the currency was continually coming back into circulation within the country. Inflation and the consequent rise in prices were thus the means through which the necessary sacrifice and limitations were imposed upon the population, and also the means for drawing upon the capital resources of the nation for purposes of war. What on the surface, therefore, appeared as a flourishing state of economic life, in reality was a creeping process of destruction of capital values. "Capital resources which were meant to be placed in the service of production

were used up for military ends; they were gradually destroyed and could never again serve the ends of production." This phase of fictitious prosperity was also relatively the easiest for the army. Of the three levels of exhaustion—shortage, lack, and want—only the first was felt at all so far, and even that not generally. It was pointed out with relief that the disturbed conditions which had prevailed at first had been overcome, and that the production of war material had reached a very high level.

Gradually, however, certain ominously dark spots began to appear on the horizon. Among the first and the most serious was the institution of a closer blockade, in March, 1915. By the autumn a number of raw materials were running short, though not all of them. A severe shortage only began to be felt in 1916—in wool, cotton, leather, iron; coal only in the winter of 1916–1917; animals and special metals by the spring of 1917, when the army also began to have difficulties with man-power. "If 1915 was a year, if only in appearance, of a flourishing economic state, 1916 was a year of growing shortage, 1917 a year of transition from shortage to want, and 1918 a year of extreme want." Taken as a whole, one can identify 1917 with the third phase of war economies. It was characterized by the struggle against exhaustion, which in truth was often no more than a struggle for postponing exhaustion. The supply of corn had become so inadequate that the Monarchy had to be helped by Germany; the worst was for a time warded off by exploiting the occupied territories. The replenishing of the army ranks was also getting difficult. A special office was set up behind the front to weed out every likely man for military service. This led to a shortage of labor and, therefore, to a growing use of prisoners of war. In the textile as well as in the munition industries only substitutes were available as raw materials; the quality was bad, but at least the quantity could still be made up.

Exhaustion began to creep in also in the spirit of the people. It was evident in the feverish atmosphere of the parliamentary bodies, and in a declining enthusiasm for the War. Extreme radical sentiments and slogans began to appear instead, and the people listened with increasing approval to those ideas and men who were least in sympathy with the War. Common sense demanded at that juncture an effort to end the War. The leaders of the Monarchy made indeed the well-known overtures for peace, but they failed. War had as-

sumed the nature of an elemental phenomenon which could not be stopped at will at any given moment.

During 1918 it became logically clear that exhaustion could no longer be avoided. The supply of food was utterly inadequate, and only desperate efforts could keep it even at that low level. In certain regions the shortage had become chronic and was marked by occasional famines. The mortality rate rose rapidly, especially among elderly people and children. "No one will say it, yet everyone knows that they died of hunger." The shortage of food reacted on the production of coal. By the winter of 1917-1918 hundreds of thousands were already living in dark and unheated rooms. The lack of coal in its turn reacted on the production of munitions. At a joint Ministerial Council the head of the General Staff complained that the supply of munitions had fallen to the disastrous level of the autumn of 1914. People were going about in torn and patched clothes that offered scant protection against the weather. The shortage of fats was so acute that all sorts of experiments were tried, such as the attempt to extract fats from wild chestnuts and from rats. Even paper had become so short that the Government instructed all official departments and public institutions to surrender those parts of their archives which were not indispensable.

Nor did the army fare much better. July and August, 1918, were months of real hunger. For days on end the troops saw neither meat nor fats. Sawdust had to be added repeatedly to the available quantities of flour. It came about that whole detachments "deserted" with all their equipment from the base camps to the front line, because there they were entitled to one or two ounces more food. An examination along one section of the Italian front established that the average weight of individual soldiers was no more than fifty kilograms. Hardly a soldier possessed any longer a complete set of clothing. Some had a uniform but no underwear, others had underwear but no uniform; and all of them were in rags.

Dr. Gratz indicates why, apart from any military reasons, the Monarchy collapsed when it did. "Should one wish to answer the question as to how far exhaustion had gone when the War came to an end, one need but consider how things were likely to be if the War had continued. The food supply for the population was in October 1918 so small that one would have had to count with a severe shortage already by the beginning of the winter; by the spring of 1919,



therefore, nothing would have been left at all. The supply of the army with clothes and underwear had come to a standstill, and the bulk of the troops would have had to carry on through the winter in the rags in which they stood at the time of the collapse. It would have been utterly impossible to provide sufficient means for heating; the troops would have frozen in masses. Arms and munitions were being replenished in such small quantities that the army had no longer any power of resistance. There was a danger that it would be simply swept off its feet at the first attack. Horses and other means of transport were hardly to be had any more. Behind the front everything was falling asunder. One could hardly speak any more of a cohesion between the several parts of the State. The more radical a political, national or social current was, the easier it found adherents. People longed to escape from their bitter suffering, and no change could be thorough enough or radical enough for that."

No doubt, many mistakes were made by the leaders of the Monarchy in their preparations for war and in the measures adopted during the War. The composite character of the Monarchy also was a severe obstacle to systematic action. But both these circumstances did at most merely quicken the process of exhaustion. Even if they had been different "the collapse could not have been avoided," writes Dr. Gratz, "nor indeed postponed much longer beyond October 1918. With such impossible conditions it probably would have come through the overthrow of the Austro-Hungarian front. As it was, it came a little earlier through the exhaustion of the will and morale of the population, undermined by long and unbearable privations. Those who fight against the institution of war often describe its cruelty in glaring colors. Yet even the most fearful picture remains far behind the terrible reality. And the cruelty of war is no less terrible for those who remain in the 'peaceful' hinterland . . ."

### *Destruction through Wastage.*

The simple lesson of this terse description is that modern war is like a machine, monstrously efficient, for the destruction of materials and goods, no less than of men. But the things actually needed and used do not make up the whole account by a long way. The equally terrible wastage of human effort is an obvious fact which need not be labored here. The emergency which faces a nation at war is so

pressing and desperate that all the principles of a wise economy must go by the board. General Krauss has put the military point of view with unanswerable frankness: "One must bluntly lay down the principle that what is necessary and reasonable before and during the conflict, for purposes of war, is right also economically, and absolutely essential, without regard to cost." The very elements which make for success in a campaign—tactical moves based on an element of surprise, with frequent changes of place and direction and continuous shifting of the battle line, with the consequent destruction and abandonment of works and stores at each move—involve a disregard of the careful usage of public supplies. War, therefore, not only consumes fantastic quantities of materials, but it also wastes a great deal more.

The waste begins with the need of planning movements, and providing supplies for them in advance, on certain fixed lines which offer some guaranty that the plan will work smoothly, but which cannot in the rush and confusion of war be adapted at short notice to the circumstances of the moment. For instance, the plan of campaign of the Austro-Hungarian army caused large quantities of supplies to be sent to Galicia, although the harvest was just being gathered there; and much of those supplies had to be destroyed to prevent them from falling into the hands of the Russians. The great size of the armies which engaged in battle made it impossible for them to rely on local supplies. They had to carry with them large reserves, which during the earlier movements were to a considerable extent wasted. Later the system of supply was changed, but General Krauss admits that "no one knew what it meant to economize." In Turkey, great waste was caused by the opposite reason, of an absence of preparations and plan. The conclusion which the military drew from this, says Dr. Emin, was that every available resource must be devoted wholly and at once to military ends, in the hope of a quick decision. Hence materials and goods were lavishly squandered, without any provision for replacement. Indirect wastage was caused by the excessive calling up of men, which in Turkey, as elsewhere, caused much of the abundant harvest of 1914 to be wasted.

Wastage was not always due to wanton carelessness. In war, when troops are apt to be moved from place to place frequently and suddenly, and when life is likely to be brief, few can think of being careful with public property. The recklessness which makes good soldiers

makes bad stewards. If the soldiers were more careful with personal possessions when it became difficult to replace them, they were under the stress of the same conditions sometimes reckless with war material. During the summer and autumn of the last year of the War enormous quantities of ammunition were used by the Austrians on the Italian front. The period was not one of great military activity, but the troops were in a state of nervous exhaustion and, according to reports from commanding officers, sought relief by indulging in mass firing even during periods of lull.

Often enough, however, the wastage within the military zone was deliberate, either under the pressure of actual needs, or under the temptation of power or of profit. In the occupied territories, as we have seen, the occupant did not hesitate to lay hands on anything that could serve some local military need or relieve the shortage at home. Dr. Antipa complains that in Rumania the occupant felled walnut and other fruit trees on farms and even in the gardens of the peasants, thus doing lasting damage to the villagers. All means of production were damaged by abusive use to a lesser or greater degree; even telephone and telegraph apparatus, medical and sanitary instruments, etc., were removed for military use. That a good deal of this was sheer waste was shown by the many cases containing machines from Rumania which were found unopened at Constantinople at the end of the War. The Rumanians revenged themselves in their turn on the telephonic apparatus, etc., of Budapest when they occupied that town for a few days during the Communist régime.

Still worse were the many instances when goods and materials were wilfully wasted or destroyed in irresponsible fashion. An order of the day issued by General Mackensen soon after his troops had entered Rumania shows the kind of thing which is inevitable when large masses of troops are marching through enemy territory: "Unfortunately," he says, "troops and columns show a criminal disregard of this principle. They take away from the population, in a foolish way and much in excess of the needs of the troops, teams and supplies which are needed for the cultivation of the soil; refugees returning to their homes, instead of receiving help, find their poor belongings pillaged. Much wealth is being destroyed of set purpose; animals are wasted without purpose, so that meat is getting scarce notwithstanding the former riches of the country in animals. . . . The numerous stragglers who roam behind the front are causing dis-



orders which have become a pest to the land. . . . This order of the day must be expressly communicated also to the troops of the allied countries."

This kind of wastage continued in a serious degree even after the end of hostilities. If anything, its effect was then even more disastrous, because of the grave shortage of necessities from which all the countries of that region were suffering. At the collapse, some of the retreating soldiery destroyed buildings and goods, whether by order or out of sheer wantonness would be difficult to say. But much of the wastage was caused by the greed of individuals or of the governments whom the Armistice brought to power. Because of the complaints against the ruthless exploitation of occupied territories it is well to note how its effects were enhanced by the conduct of the victims themselves. The collapse having come swiftly, it forced the troops of the Central Empires to evacuate the territories they occupied in Southeastern Europe in haste and to leave behind the very considerable stocks which they had accumulated there. In the case of Rumania, the Austro-Hungarian authorities instructed some of the heads of the occupying staff to remain behind, in order to hand over formally to the Rumanian authorities the materials and munitions lying in the depots. But the Rumanian authorities interned the Austro-Hungarian personnel and took no steps to put the existing stocks under proper control. When the first confusion was over, the stocks had disappeared, either frittered away or made the basis of great private fortunes.

Very appalling was the wastage of railway material during the period when the inadequate state of transport severely hampered reconstruction. During their brief invasion of Hungary, for instance, after the Armistice, the Rumanian armies carried away with them a large number of trucks, carriages, and engines. It is not our concern to judge whether the action was legally justified or not. But the fact is that Rumania was incapable of using that rolling stock, because most of it was in need of repair and the country had no works that could carry them out. While, therefore, the Austrian and Hungarian workshops were lying idle, many miles of sidelines along the Transylvanian railways were covered with rolling stock which remained unmoved during a number of years and finally rotted away. Again, great quantities of valuable material and goods were destroyed by the military commissions placed in control of the van-

quished countries. Under the terms of the Armistice, for instance, Bulgaria was obliged to surrender all her war material. This was interpreted by the Allied Military Commission as applying not merely to arms and munitions, but to each and every material and object which at the end of the War was found in the army's depots. Machines, motor cars, rails, clothing, and even stationery, pencils, and india-rubbers were claimed by the Commission and destroyed or sold to private individuals, from whom the State had to buy back whatever it needed at many times the price.

Not all the countries and regions, of course, suffered equally from the devastating passage of war. Some of them, like Czechoslovakia, were fortunate enough not to have been touched by the battle line, and to have been able to retain, even at the collapse, control of their resources. But escape from direct destruction did not save them from the effects of war exhaustion. These were universal and profound in every field of economic life. They have been especially telling in agriculture, which works with living things—animals and the soil—whose neglect cannot afterward be made good at once, as with a lifeless machine, simply by replacing parts or the whole. War conditions brought about forcibly in agriculture what is known in economic terminology as "*Raubwirtschaft*." Shortage of labor, lack of manures, deficient implements, and so on, everywhere caused the soil to be neglected, to be used roughly and left unclean, so that its powers of germination could not produce after the war the food for which the tired peoples were clamoring. It is not possible to calculate these consequences exactly. But official investigations made in 1919 showed that both the corn crops and potato crops in Austria gave only half the yield of pre-war years. In Bulgaria the corn crop fell from 20,000,000 quintals in 1914 to 12,000,000 quintals in 1918. Livestock suffered badly, not only in quantity but also in quality, both through inadequate feeding and through indiscriminate requisitioning without regard to the maintenance of herds. The picture is the same in regard to forestry—again, not only because of the excessive use of timber, but also because of indiscriminate felling and complete absence of replacement.

In many other respects the peculiar conditions of war used up to an excessive degree the economic machine. One of the paradoxical results was the effect on transport. When during the World War the armies settled to static trench warfare it became easier to organ-

ize supplies, so as to reduce wastage. But these supplies had to be brought up from the hinterland and the demand therefore made upon roads and railways was severe. Their state suffered still more from great victories. Each successful advance extended the territory which existing means of transport had to serve, and in the same degree reduced the efficiency of the already damaged rolling stock and tired personnel. The not very solid roads, especially in the Balkans, suffered severely. In Bulgaria long stretches on the main roads degenerated into impassable tracks, and traffic was diverted along the side fields. Or take the effect on production of the repeated dilution of service conditions, as regards age and fitness, made necessary by the length and losses of the War. This brought with it a continuous change of the personnel engaged in industrial work. Skilled men were replaced often by less skilled ones, and these by women and young people new to factory work. Not only did this cause the rate of production to become slower; it also placed a greater strain upon tools and machines, the bulk of which were worn out by the time the War came to an end, as it also involved a certain wastage of raw material. The famine in food and raw materials, the deterioration of machines and implements and means of transport, were proportionately sharpened by the depreciation of the currencies. That depreciation was a rough measure of the decline in each nation's capital possessions. War on the new scale brings with it an extraordinary consumption of economic goods, but at the same time it checks the production of them; in Austria, for instance, total production (without transport and trade) fell in 1917-1918 to 67 per cent of the peace year 1910, and the available national income fell as a consequence to 69 per cent. The difference must come out of national capital—either the capital reserve, by the using up of savings in money or actual goods, or capital prospects, by pledging the work and credit of future generations. Bulgaria is a small country and poor; what she borrowed from internal and foreign lenders—a total of 2,709,500,000 levas—coincides roughly with her budgetary deficits during the war period, and constitutes a lien on the efforts of subsequent generations.

There was another kind of depreciation, equally serious as a hindrance in the work of reconstruction—and it was perhaps the worst depreciation of all—namely, the loss in working power and will power of the peoples. The working sections of the population, much



reduced in number, were physically tired and nervously exhausted. The many millions who had been kept for years in the trenches, even if fit, had grown unaccustomed to the steady routine of peace work.

Finally, the part played by the problem of housing, for instance, in the post-war years reminds us that even that is not all—that actual damage and waste and ill-usage did not cover fully the destructive effects of the War. One must add to that, to make up the material total, the severe hiatus in the normal production and supply of those objects which form the material criterion of modern civilized life.

It is difficult to bring into this discussion of economic consequences the human losses caused by the War. They are beyond any material calculation. One can but point out that a definitely material consequence, again resting largely upon the shoulders of coming generations, was the care of the crippled and maimed, the maintenance of widows and orphans—in short, the whole complex of pensions, which has played so big a rôle both in the problem of reparations and in the debit side of after-war budgets.

## CHAPTER X

### ECONOMIC DISLOCATION

WHEN we pass from the destructive to the more functional economic effects of the War, the duration in time of those effects can no longer be measured with the period of fighting. When destruction ceases, dislocation still makes itself felt; and these effects are the more serious just because they continue beyond the period of actual conflict. Worse still, neither the duration nor the direction of such disturbances can be foreseen and provided for. As Professor Bowley says, "the effects of the principal wars in the eighteenth and nineteenth centuries can still be clearly traced and their ultimate influence cannot be known." All one can know is that the disturbance caused by war in existing arrangements is bound to be considerable. In the light of the aftermath, no one would dispute that economic dislocation has been more extensive and baffling than actual material destruction. As to the source of that dislocation, one can distinguish, broadly, some causes which may be traced directly to the War itself, while others have their roots rather in the settlements which ended the War. The first were not unlike those which had marked former conflicts, varying merely with the magnitude of the war. The second were not altogether new in character, but unprecedented on such a scale. The disturbing effect of the Peace Treaties corresponded to the extensive territorial changes which followed from the War. They were bound to have a more disturbing effect than they might have had in earlier times because of our more intricate and intense economic relations.

#### *Dislocation through War Needs.*

Direct dislocation, caused by the War itself, has extended to production, to transport and external trade, as well as to financial and other economic activities. We have seen how as the War went on the productive forces and resources of every belligerent were increasingly requisitioned for the needs of the campaign. Machinery, materials, and men were all switched on to war work; the more so in the Central Empires, where everything had to be produced at home. In

an earlier section, describing the government of occupied territories, where the war system was applied with least restraint, we have seen how the occupying authorities changed the use of works and of land, and moved about machines, men, and beasts, and even buildings, like pawns on a board. The readaptation of the economic system to peace work was bound to prove difficult in the same degree in which it had been diverted to war work. Nor was this unexpected. The Napoleonic wars were followed by a very similar state of things. Smart's *Economic Annals of the Nineteenth Century* says that "the official view was that the distress was due to the transition from 23 years of war to the ordinary conditions of peace, with all the disturbance, both to demand and supply, this necessarily involved—particularly the reduction of the national expenditure in one year from £120,000 to £70,000, the withdrawal of the one great customer, the government, from the market, and the return of some 300,000 soldiers and sailors to be reabsorbed into the industry of the country." All these factors were now at work again, but with a force which makes that recorded by Smart look very puny indeed.

In our case the disturbance which marked the aftermath varied in different industries and in different countries. Speaking generally, the readjustment was easier in agriculture than in industry, especially where agriculture was in the hands of peasants. Greater division of labor caused the lack of materials and skilled labor, and the change in markets and in the channels of credit, to be felt more deeply in industry. Again, the readjustment was easier in the victorious countries, where the political and administrative system remained unchanged and could guide and supervise reconstruction. In the Central Empires and elsewhere, the military collapse, followed by a shorter or longer political disturbance, hampered the work of economic reconstruction. That was especially true of Austria-Hungary, which was shaken by a double revolution—one social and the other national. The national revolution broke the old political system into a number of antagonistic parts, and therefore carried dislocation to the extreme. The great industrial undertakings in Austria found themselves cut off from their raw materials and sources of power, as well as from their customers. Conditions in industry would have been chaotic even without that territorial break-up. Military orders, on which the whole industry had been made to depend, ceased



suddenly. When the War ended all machinery stood still, as if not knowing to what job it had to turn next.

The workers were equally unsettled. During four years military discipline had driven undernourished workers to overwork continuously; when the military power broke down, the will to work collapsed with it. In Austria, moreover, no gradual demobilization could be arranged; the armies simply broke up and rushed home, so that by May, 1919, unemployment reached its highest point. Many manufacturers, baffled by the chaotic economic conditions and perhaps afraid of the temper of the workers, did not even attempt to reorganize their undertakings for peace work. In Central Europe one saw the new phenomenon of the sabotage of production by the manufacturers themselves. How much in that situation was psychological is suggested by the result of the decree which the Austrian Government issued on May 14. It enjoined every employer who on April 26 had been employing at least fifteen workers or clerks to engage more people, up to one-fifth of the old personnel, and not to reduce that number without the consent of the Industrial District Commission; and that arbitrary order, though intended merely as a brief emergency measure, justified itself so well that it was still operating three years later.

One could enumerate, of course, a great many factors which had some share in the economic disturbance of the post-war years. Many industries suffered from a maldistribution of fixed capital, from financial and other difficulties due to excessive equipment—especially those which had expanded unduly in response to war orders. Other industries were hit by the greater use of raw materials in the places where they were produced, as was the case with copper, etc., or through the new plant set up in European countries which had been cut off during the War or aspired to become economically self-sufficient. All industries, of course, suffered from the reduced demand of the impoverished peoples of Europe. Altogether it would be difficult to underestimate the great injury caused to the nonmaterial or potential wealth represented by the delicate organization of trade, and especially for international trade. As Professor Bowley says: "The unnoticed but very complicated system of international credit and finance was the result of gradual growth during many decades, due to the spontaneous efforts of innumerable individuals,

little controlled or directed by governments, and it is only by a similarly gradual process that the system can be reconstructed, even in a condition of international friendship."

*Dislocation through the Peace Treaties.*

We have experienced at a severe cost how extremely difficult it is to redirect production and trade quickly into the channels of normal intercourse. And the economic hindrances to natural development have been accentuated by such factors as the change in frontiers and the increase in nationalist sentiment, by the reparations problem and the instability of money. With these factors we touch the indirect effects of the War—those flowing rather from the terms of the peace settlement. In Central and Southeastern Europe it was more as a flood, carrying all international bridges and restraints before it. If well-being and progress can take root only in stable soil, then clearly their chances of life were tenuous in the extreme in the first years after the War. There was hardly a political or national relationship that could be safely assumed to last out the year. That state of things was symbolically summed up in the arrangements which existed at the Greco-Bulgarian frontier, on the main route to Constantinople; when I passed there in 1924, customs and guard room were still installed in two goods carriages, standing on their wheels and on the lines, as if ready to move on with the next shift of fortune.

In that part of Europe the change of frontiers was carried through on a vast scale, breaking up economic structures and relations that had been gradually built up during centuries.<sup>1</sup> Some of the new polities as a result were blessed with more resources than they could well use; in others factories and skill and experience were left derelict, because they had been severed from their usual functions. Austria was left with sufficient spinning mills and finishing works, but with too few looms. At the same time Czechoslovakia, where the weaving mills were located, gave protection to an infant spinning industry, and so cut off the natural outlet for Austrian yarn. Austria's famous tanneries lost their sources of skins and tanning materials; her Alpine iron works lost their coal—about half the

<sup>1</sup> Much valuable material illustrating the change in a striking manner is contained in the album prepared by Albert Halász, *The New Central Europe—In Economical Maps* (Budapest, 1928).

old coal fields having gone to Czechoslovakia and Poland. Czechoslovakia contained a high proportion of the old Austrian industries, but not a population large enough to absorb their products. Hungary's great flour mills lost both their sources of supply and the markets for their products. The industries in Slovakia decayed because the favors and support they used to receive from Budapest dried up.

It is true that the Peace Treaties tried in some degree to mend the rift they had made in the economic structure. Article 224 of the Treaty of St. Germain, for instance, obliged Czechoslovakia and Poland to supply coal and brown coal to Austria during a period of fifteen years, in proportion to the supply she had drawn from those regions before the War. In fact, no industry received during 1920 more than 40 per cent, some of them no more than 10 per cent, of their normal needs in coal, and that at prices which reduced the recuperative and competitive power of Austrian industries. By 1921 the supply improved, but in the meanwhile the demand for manufactures had fallen severely. The results of all that dislocation have in some cases been fantastic. Goods manufactured in what is now Czechoslovak territory went before the War to the various parts of the old Empire; in the post-war years only about 10 per cent of that trade has gone to the Danubian countries, some 25 per cent to Germany, and the rest to France, England, South America, and China—though all this industry is situated many hundred miles from the nearest sea outlet. Austrian industries at the same time have sought markets in China, India, Egypt, and South America. Austria imports onions from Egypt and tomatoes from Palestine, while Hungarian and Rumanian farmers are unable to sell theirs—again though this traffic must travel vast distances to reach the Austrian market.

The disturbing effects resulting from the separation of currencies can more easily be imagined than calculated. Equally serious was the loss resulting from the disturbance of services. Austria had been as much the economic leader as the political master of the Empire. In the same way Vienna had been the center not only of administration but also of banking and trade, of insurance and fashion; while the Austrians had supplied organizers of industry and commerce, as well as officials and officers. Many industries scattered in the Empire's outlying provinces had their central offices in Vienna; now they were



moved to Prague and Budapest and Warsaw. The break-up of the Monarchy left Austria merely with the rump, with a loose bundle of disparate provinces, while it left the most active and enlightened section of the Austrian people without any function to perform and therefore without means of livelihood. Hungary might have suffered to a lesser degree from this dislocation of functions and therefore of personnel, were it not that bad relations with her neighbors made the position of Hungarian officials and intellectuals in the lost provinces well-nigh untenable. The crowding into the new small State of a mass of former traders, officials, and members of the liberal professions, now without work or future, has played as disturbing a part in the economic as in the political life of new Hungary. If the problem was politically less virulent in Austria, it was because, as we have seen, the national minorities had already been given, in the years before the War, wide access to public positions in the territories they inhabited. Nevertheless, the enormously reduced central services left Austria with nearly 120,000 state pensioners on her hands—which was only slightly less than the total number of active state employees (excluding those working on the railways).

Another dislocation of population, more deliberate and much more extensive, was set afoot by the peace settlement in the novel provisions for the exchange of minorities. In the Balkans there had been after the Balkan Wars a voluntary movement of small groups, and as such it continued also after the World War, on a small scale. In addition, however, the Peace Treaties arranged for the mutual wholesale exchange of their own nationals living in the other country's territory between Bulgaria and Greece, and on a still larger scale between Greece and Turkey. The experiment involved a considerable economic dislocation, with difficult problems of agricultural resettlement; and even more so in the case of the Greek minorities removed from Turkey, who took with them whole industries, like the domestic carpet industry, in which they had specialized for generations. It is obvious that this drastic experiment, with which we deal in more detail in an Appendix, added a peculiar burden to the task of reconstruction in the countries concerned.

Agriculture was not exempted from the effects of these disturbances. The change of frontiers in more than one case forced a change of crops, and the latter involved a change both in the nature and in the distribution of international trade. Thus Bulgaria lost

with southern Dobrogea, after the second Balkan War, only 8 per cent of her area, but 20 per cent of her cereal crops. Economically that was in part compensated at the time by the acquisition of Thraee, which grew no corn but produced fine tobacco, which made the reputation of the so-called Turkish tobacco. But Thraee was lost in its turn after the World War, and while the growing of tobacco developed greatly in Bulgaria itself, official policy had to encourage, for internal needs, the production of cereals and of livestock. The pre-war export of corn to Turkey and Belgium changed into export of tobacco to Central Europe and Italy. A striking case is that of Bessarabia. The province was one of the richest in the Russian Empire, with many flourishing colonies of foreign settlers; she was supplying especially the fine grapes and other fruit for the rich capital towns. The war settlement and the revolution cut her off completely from her extensive former markets, while the deliberate policy of the Rumanian governments, who were afraid of Communist infection, failed to provide compensation, which would in any case have been small, by linking her up with new markets; so that this once very rich province became derelict. Similarly, Hungary lost her former protected market and had to adapt her trade to world competition. With the Banat she had lost her best corn lands; any hope of agricultural self-sufficiency, therefore, involved a thorough rearrangement of agrarian policy and even of technique. As the Hungarian lowlands are more exposed to drought, however, than the lost provinces, any new agricultural policy depended considerably on the possibility of developing irrigation.

But here another serious dislocation through the peace settlement came into play. The possibility of irrigation in its turn depended on stable co-operation with the neighboring countries, who hold the upper reaches of the rivers flowing through Hungary. The river system of old Hungary is now divided among five states. The upper courses of the rivers are steep, the middle and lower reaches are quite flat. There are no headwater lakes or glaciers to regulate the flow, only forests. Old Hungary had developed an elaborate system to guard against floods. It consisted of nearly 4,000 miles of dikes, in some parts as much as 20 feet high, and nearly 8,000 miles of canals, which together protected some 15,000,000 acres of land against flood. One-third of that system was located in the Danube valley, and roughly two-thirds along the course of the Tisza, which is the

more dangerous of the two rivers because her sources are near and high. In the upper reaches the protective system included 1,600 observation posts, and 78 local co-operatives for the keeping of dikes and locks in repair. The new frontiers cut across the whole of that system.

New Hungary also retains as a consequence only a small part of the old sources of water power; hence the problem of Hungarian agriculture is closely bound up with that of inducing the states holding the upper courses of the rivers to join in a systematic development of water power. This affects equally the various plans for developing the canal system. The long-contemplated canal between the Tisza and the Danube would be of great economic advantage, but because of the difference in the level of the two rivers canals cannot be built safely until the water system is under proper control. This is illustrated by an incident which took place while the question of the Banat was still in dispute between Rumania and Yugoslavia. The Rumanian authorities having suddenly closed the locks above the town of Timisoara, the water level on the other side of the boundary fell so low that the Yugoslav river traffic was badly disorganized.

Everywhere and in every field one can find such local marks of the disturbance caused by the change in frontiers. In old Hungary many of the highlanders, men and women, used to come down to the plain in harvest time for a season's work. The new frontiers cut off these people from their working places. The frontier villages in the new Rumanian county of Maramuresh have lost their mountain pastures to Czechoslovakia, and have not yet been able to solve the problem of their existence. Markets have been disorganized as well as labor arrangements. In old Hungary market towns had sprung up where lowland met highland, wherever the rivers cut an opening in the mountain wall. An imaginary line drawn through those centers would have defined the two regions and marked the zone of exchange between them. Because of this function, that narrow band absorbed part of the internal surplus population and showed a much higher density than either highland or lowland; and the trend of the constricted line of communication led here to a much more rapid growth of urban centers than in the other parts of the country. That line of contact and interchange was turned by the peace treaties into a line of division. Many railway junctions found themselves outside the



new partition and the lines which fed them were left, so to speak, in the air. A great part of the new boundary cuts just through that belt, creating innumerable problems not only of individual existence, but also of regional and national contact and intercourse.

The capital towns have been no less affected than these regional market towns by the redistribution of territory. Vienna's once proud position especially has been almost wrecked. The geographical situation of the town is such as to destine it to play a great part in the intercourse of the neighboring nations; conversely, the position of the town is ruined if that intercourse is interrupted. The Viennese basin offers the only break in the mountainous chain which stretches from the Gulf of Liguria to the Black Sea—at the point where the mountain are changes its direction from east to northeast. The break forms a vital crossing point, where the Danube intersects with the ancient amber route between the Adriatic and the Baltic. In Roman and in late medieval times Vienna—the old Vindobona—was primarily an outpost town. Only when it ceased to be that, with the establishment of the Hapsburg Empire, did it attain greater importance; and its value and state rose together with the development of communications and intercourse. Its position at the crossing between the four main parts which geographically formed the Empire made it politically more indispensable than was any other capital to its country.

Both Vienna and Budapest acquired their spurs as great towns through their fine commercial location, their usefulness for distribution outstripping the advantages of other centers which were better placed for production. Vienna, especially, was the meeting place, cultural as well as economic, of the peoples inhabiting the neighboring regions. Any break in their relations was bound to throw Vienna back into the precarious position of a border town. National jealousies have carried this decline further than it need have gone. Bratislava is being developed by the Czechs as a Danubian center at the expense of both Vienna and Budapest; and this would have had better chances of success no doubt if the Peace Conference had granted the Czech demand for a Czech-Yugoslav corridor. No plan that is in sight could now prevent Vienna from remaining a border town. Hence the great attraction in the idea of union with Germany. This at least might offer her a wide market for her crafts. As Neumann put it temptingly during the War: "The Viennese might make

an artistic conquest extending from Hamburg to Danzig." Moreover, the rôle of an active border town is no longer what it was in Turkish times. It would not be a fortified gate to deny entry to the invader, but rather a gateway opening upon the routes of commercial advance and economic expansion. Its possibilities in that respect were peculiarly illustrated during the worst crisis of the aftermath. The collapse of the currency led to the selling out of Austrian supplies and private possessions to insatiable foreign buyers. It was a phenomenon which Pierre Hamp has satirically described as a European "gold rush." But that period of merciless buying out also prepared, according to all accounts, the recovery of Viennese trade. Buyers from the neighboring countries resumed their old habit of making their purchases in Vienna and the town recovered, up to a point, its place as the exchange mart between the industrial regions of Central Europe and the agrarian regions of the Lower Danube. Beyond that, recovery can do little for the town, which now contains one-third of the population of new Austria. That is the measure of the economic loss. But apart from that, the decay of Vienna has lost to the Continent its most civilized town.

*Typical Effect on Means of Communication.*

One could not trace more concretely the disturbance through the change of frontiers than in the field of communications. There the effect stands naked before the eye, and it springs altogether from the peace settlement and not from the War as such. To begin with railways. Generally speaking the region was inadequately provided with railway lines, the more so as one traveled eastward and southward. Up to a point that was due to physical obstacles, especially in the Balkans. The rugged surface made the cost of building roads and railways excessive for the young states in Southeastern Europe. Moreover, some of the most expensive lines, like those of Bosnia-Herzegovina, were strategical in character and of little use economically, both because of their difficult gradient and of the bareness of the region which they traversed. Political and strategical influences could indeed be discovered everywhere, both in the deficiencies and in the extravagances of the railway system. The Hungarian railway system, for instance, was largely built on political considerations. The system was so devised as to make all roads lead to Budapest.

With the same end in view freights were calculated upon a zoning system, which gave an advantage to radial traffic over local cross-country traffic. For political reasons, again, the Monarchy had deliberately refrained from linking up Bosnia-Herzegovina with the lines leading through Thrace to the *Ægean*, or through Dalmatia to the Adriatic.

Some of those arbitrary hindrances, one must note, have been canceled by the new territorial division. Bosnia-Herzegovina has a much better chance of developing now that she is no longer cut off politically and economically from the lands to the east and from the corridor to the south. Such improvements have been few, however, compared to the wholesale dislocation of the old systems, good or bad. In the old Monarchy the southeastern parts of Moravia were linked to Vienna, while the Slovakian railways, with one exception, converged upon Budapest. Czechoslovakia has therefore had to build no fewer than fifteen railways, in addition to roads and canals, so as to redirect traffic toward the new center of gravity. The total indifference to geographical considerations shown in the drawing of the new political map revenged itself in making that task much harder. Bohemia is a compact unit; by attaching Slovakia to it the length of the territory was made almost four times greater than its width, and the resulting drawback for communication was accentuated by the mountainous nature of Slovakia and by the peculiar position of the valleys and watersheds.

Hungary has perhaps suffered most in this respect, because she has lost territories along all her circumference. The old Hungarian frontiers, with a length of 3,700 kilometers, were traversed by 23 railway lines and 79 main roads, four-fifths of which crossed passes and rivers. The new frontiers only measure 1,450 kilometers, yet they are crossed by 46 railways and 107 main roads, four-fifths of which pass through open country. Towns were cut from their railway connections, the town or village passing to one country while their stations remained in another. The vanquished were not alone to suffer from this. The Danube port of Bazias went to Rumania, with about ten kilometers of railway; the line then crossed into Yugoslavia, while the Rumanian station was left without any connection with the main body of the country. A memorandum submitted by the Rumanian delegation to the Peace Conference complained that by drawing the new frontier line between mountains and low-



lands, one was cutting in two the main railway line connecting the Maros valley with the lower Danube, as well as with the Béga-Temes canal, thus denying to the inhabitants of the valley access to the rivers, the Tisza and the Danube.

However great the value of the Danube as a highway, it was not sufficient remedy for these disturbing consequences of the settlement. On the whole, the Danube has played in transport only a small part compared to roads and railways. The proof of this lies in the ease with which the Succession States organized themselves separately in so short a period. The main flow as well as the largest quantity of foreign trade in that region went to contiguous countries rather than to distant lands. No less than 80 per cent, for instance, of Hungary's exports went to Austria. Moreover, while the Danube was valuable as a regional connecting way, the direction and great length of its course, together with the fact that its mouths are frozen during several months each year, caused all the river countries to look for outlets nearer home rather than through the mouths of the river. Cross-lines of communication naturally come into being where a navigable river passes nearest to the sea. Austrian and Hungarian traffic was thus drawn toward the Adriatic at Trieste and Fiume, and the Monarchy also felt strongly the "pull" toward Salonica. In another sense easy access was no longer the decisive factor for modern economic nationalism; political security was considered an essential additional condition. Trieste and Fiume were therefore made to receive traffic which had formerly gone to Genoa and to other Italian ports. This had a characteristic consequence for Austria's foreign policy. As those two ports—the only outlet of an enormous territory—lay at the end of what in fact was but a sea-channel, closely shut in on either side, they could be easily blocked if both coasts were in foreign hands. Hence Austria needed Dalmatia to protect her seaports; and she needed Bosnia-Herzegovina to protect the narrow Dalmatian strip.

Serbia and Bulgaria were faced with a similar need for free outlets. Both of them were agricultural countries. Both therefore wished to reach the open sea and the countries where their produce was in demand; and both were anxious to find more than one gateway, so as not to be economically dependent upon a single country. Having no control over the mouths of the Danube, Bulgaria sought to reach the sea toward the southeast along the Maritza valley, and toward

the southwest through the Vardar valley. Serbia was landlocked in an extreme sense. She had no access to the sea, and the Danube on both sides crossed through countries unfriendly to her. On the other hand, Serbia herself blocked the corridor between the Dinaric Alps and the Rhodope Mountains which offered to the Powers of Central Europe their main outlet toward the southern seas, via Salonica. Hence the unabated antagonism between Serbia and Austria-Hungary was spurred on by deep geographical reasons.

That anxious and relentless striving of all those countries to reach the open sea has undoubtedly been a serious element in the restlessness that has characterized international relations in Southeastern Europe. In hardly another respect, therefore, does the outcome of the peace settlement appear more paradoxical. The rearrangement of frontiers has caused more states to be without sea outlets than before; while once active ports have been assigned to countries which had no need or use for them. The two component states of the old Monarchy have both been cut off completely from the sea. Nor has Czechoslovakia any outlet, except the indirect free-port facilities at Hamburg. Both Bulgaria's ambitions have remained wholly unsatisfied, the new settlement reversing to an excessive degree the settlement which followed the Balkan Wars. The Treaty of Neuilly promised her special facilities at Dedeagatch, but Bulgaria refused to undertake the heavy burden of building up a port which politically would have remained under foreign control; especially as the arrangement between Greece and the Allies contemplated the eventual setting up, at the request of Bulgaria, of an international commission to watch over the administration of the free port, but said nothing about the all-important control of the railway which feeds the port. Rumania has outlets only to the cul-de-sac of the Pontic Basin, which depends on the Straits, while Yugoslavia is similarly confined to the cul-de-sac of the Adriatic, which depends on the Straits of Otranto.

Central Europe is thus more shut off from the sea than it was before. On the other hand, the mournful condition of Trieste and Fiume shows that these two ports had no value for Italy, and that they depended as much on the Central Danubian hinterland as that hinterland depended on them.<sup>2</sup> As regards the sea outlets, therefore,

<sup>2</sup> One of the "Reconstruction Supplements" published by the *Manchester Guardian* in 1922 contained a photograph which perfectly epitomized this

the Peace Treaties have unsettled more than they have settled; and as these problems cannot be solved through administrative action, only policy can mitigate the hardships of geography. The choice seems to be limited between either a general policy of freedom of movement or one of permission of transit paid for in political coin. The circumstances which played so large a part in causing the southern German states to enter the *Zollverein* are even more forcibly at work in the case of Austria. She is more developed economically than those states were then, and more dependent on outside supplies. In the same way the attraction which Italy exercises upon Hungary is not without a geographical core.<sup>3</sup>

Taking all these things together, we seem justified in concluding that of the dislocation caused respectively by the War and by its settlement, the second is more severe. The first, though exceedingly harmful, did not preclude efforts being made after the War to repair the old contacts and resume the old habits. The second, however, forced the peoples to work out new ways and habits, and this was the more costly and painful as it had to be done after a long struggle, when their nervous energy was at as low an ebb as their material resources. War must always have such disturbing effects upon economic life. During the Napoleonic wars inflation together with the absence of English competition, held back by the Continental policy, produced an industrial and commercial boom in Austria-Hungary. The cotton industry developed rapidly, and the first beet-sugar factories came into existence. Altogether it was a period of new foundations. Yet all that advance proved fictitious. The dislocation which followed the wars and the abandonment of the Continental policy threw the Austrian cotton industry into a severe crisis, while the sugar factories had to close down. So evil were the times that for a time the Government prohibited the starting of new industries, especially in the towns; though it is true that fear of the new proletariat had a part in this.

Now as then war conditions led to an artificial industrial growth, either as the result of actual war needs or, indirectly, of the closing of the frontiers. The return to normal conditions after peace was

result of the peace settlement—a picture of the main quays of Fiume, with grass and weeds growing luxuriantly between the flagstones.

<sup>3</sup> Since these lines were written Austria has received from Italy special facilities at Trieste, undoubtedly paid for in "political coin."



therefore bound to cause disorganization and distress. These were severely aggravated by the extensive territorial changes, and by the various economic and financial servitudes imposed by the peace settlement. The consequent dislocation resulted in a painful and prolonged travail of readjustment, even where the change may possibly lead in the end, as in the case of Rumania and Yugoslavia, to the creation of new well-balanced economic units. In either case, whether dislocation was caused by the War or by the peace settlement, a following effect was that state control of, or interference with, economic activities was bound in any case to continue, at least for a time. The disturbance had been too severe, and the means of restoration were too exhausted, that the task should be left at once, as was easily done in former times, in the hands of private enterprise. So that the first link in the mercantilist reaction which followed was forged, of necessity, by the character of modern large-scale war.

The fact is that a modern war calls for economic needs and forms differing widely from those of peace. In so far as the health of economic life depends on a steady flow rather than on tidal waves of advance, war must on the whole do harm to economic progress, however much it may profit a few industries for a time. The detailed inquiries published in this History show that, as a general rule, the inevitable dislocation of internal production is conditioned by the dislocation of external trade. The greater the interruption of normal interstate exchanges, the greater is the degree to which national production has to be reorganized. In passing, one may point to the corollary conclusion, that the extent to which national production had to be reorganized during the War is, in a way, a measure of the extent to which modern economic life had rested on the free international exchange of services and materials and goods.

## CHAPTER XI

### ECONOMIC OBSTRUCTION

To the economic effects of destruction and dislocation must be added those caused by obstruction. Here we pass altogether away from sheer economic reactions and enter a field commanded by political attitude. By contrast with the preceding discussion, one could define this aspect of war economics as a dislocation of policy. Hence we touch here on factors of grave importance, because they obviously are as much causes as effects of war. And they are the more serious inasmuch as they are apt to represent not merely formal official measures, as lightly canceled as they are imposed, but too often persistent changes in the outlook and sentiment of the nations. If from an international standpoint economic advance be accepted as residing in growing intercourse and exchange, and political advance in the decrease of measures which states take against each other and the increase of measures which they take together in concert—then the wave of obstruction which followed the Armistice must be judged to have been the most reactionary effect of the World War.

#### *Obstruction as a War Necessity.*

Obstructive measures were applied by the belligerents in all the fields and to all the factors of economic life—materials, money, and men. Generally speaking, one could divide those measures into two sets, roughly coinciding with the two periods of the War and the aftermath. The first set included the measures adopted during the War as part of the economic side of the conflict. The second set were applied after the end of the conflict and, whatever the reasons, served to accentuate and perpetuate the divisions which the War had called forth among the countries of Europe.

The war measures were accepted all round as being as indispensable as arms and munitions for the effective conduct of the campaign. Their number and extent were in keeping with the unprecedented degree to which economic means were mobilized for the struggle. But it is worth noting in this connection that such measures were either nonexistent or insignificant in the plans which the

general staffs had prepared for the case of war. In so far as they were contemplated at all, they concerned only military material and were considered solely from the standpoint of military action. Most of the countries of Southeastern Europe had made no such provision at all. In Austria-Hungary the basis of the preliminary measures was contained already in the tariff law of 1906, which empowered the Government to regulate by means of ordinances and for public reasons—especially for sanitary or military reasons—the traffic in certain kinds of goods. The regulations envisaged for the case of war and laid down in the instructions prepared for that eventuality were based on that provision of the tariff law. In accordance with those instructions, the import of arms, munitions, explosives, and carrier pigeons—all of them objects considered dangerous to general security—was prohibited on July 25, 1914. Otherwise imports, even from enemy countries, were left free. As regards exports, a first list of prohibitions was issued on August 1. It concerned goods required for military purposes. Fresh regulations following in rapid sequence greatly extended that list, so that a situation was soon reached when only a small number of products of little commercial importance were allowed free for export.

The contents of the first Austrian list showed that it was intended above all to prevent the export of materials and products needed for military activities, or which might assist the military activities of the enemy. At that moment, therefore, the composition of the list was determined solely by military considerations. Very soon, however, a second standpoint began to make itself felt. Because of the immediate shortage of food which followed the declaration of war, the need of securing the requirements of the civilian population became as important a factor as the military factor in determining commercial policy. The prohibition of exports was in consequence extended first to foodstuffs, then to raw materials and semi-manufactured products, and finally to a growing number of finished goods. A corollary consideration was the wish to facilitate the import of necessities. This introduced an altogether new element in the prohibition policy. In order to assist the newly formed Centrals to purchase corn, etc., in neutral markets, and to keep the price level moderate by restricting the speculative activities of individual merchants, the Central Empires agreed, when their joint buying Syndicate was formed, that it should enjoy a monopoly of corn imports into the two Empires.



At that time, one may note, the belligerents were still anxious not to disturb international arrangements unduly. For that reason the monopoly was not created directly, through a prohibition of imports, but indirectly, through an arrangement which placed all internal trade in corn and flour in the hands of a central distributing office, to whom all supplies had to be handed over by individual importers. That formal respect for international arrangements had to go by the board when Austrian currency lost its purchasing value. It forced the Monarchy to drop its scruples and to resort to direct prohibition of imports. Even so, it was still a step for protecting internal needs rather than for attacking external relations. The actual use of such measures as a weapon of war was not adopted by Austria till later on. Only when the Allies engaged in a formal trade war against the Central Empires and constantly sharpened its character, did the question come up of restricting imports from enemy countries as a means of weakening their economic position. Such restrictions were applied first to luxury goods—wines, spirits, etc.—in May, 1915. After Italy's entry into the War the list was extended through the addition of a number of specifically Italian articles; but this was not done till the beginning of 1916, because up to that time much-needed raw materials were still coming in from overseas to Italian ports and from there found their way to Austria *via* Switzerland.

While the control of trade was used by the Allies extensively and effectively as a means of warfare, it played, for obvious reasons, but a small part in the panoply of the Central Empires. All the more did it acquire importance for them as a means of insuring their essential needs. Therefore the control of trade increasingly assumed for them the character of an instrument used to protect the balance of trade. Hence the continued extension of the prohibition list was to some extent checked by the need of allowing exports sufficient to pay for imports. To pay for them in gold or foreign bills would have depleted the reserves of their national banks and endangered the stability of their currencies. A special effort was made, therefore, to stimulate the export of luxury and fashion goods. A peculiar result of these circumstances was that the export prohibition reached from goods of which there was a shortage to goods of which there was an abundance, and which had always formed an important item in exports. If their export was now prohibited it was merely so as to make

it dependent on individual permits, which carried with them the condition that foreign bills or currencies received in payment should be surrendered to the authorities. Afterward the system of export prohibitions was placed directly in the service of the exchange policy. An Austrian decree issued in March, 1915, included precious metals and coins in the list of prohibited exports, and soon afterward goods and jewels manufactured from precious metals were added to the list.

The problem of currency exchange, in fact, soon came to dominate the commercial policy of the Central Empires. Being in the position of a besieged fortress, they had to try to find in their own countries whatever was needed for the War, and in the same measure they had to allow their exports to go by default. Austria's balance of trade showed a deficit of 638,000,000 crowns in 1913, of 807,000,000 crowns in 1914, of 2,465,000,000 crowns in 1915, and of 4,469,000,000 crowns in 1916. Almost all the items which in peacetime had formed the credit side had disappeared from the trade balance, and this was regarded as the chief cause of the rapid depreciation of the currency. Under the strain of that situation the original principles of the trade control system were reversed. It was now considered essential to check imports and at the same time to develop exports as far as possible—a policy which could obviously but enhance the shortage of goods resulting from the blockade. An attempt was made to obtain that result indirectly, by making all customs duties payable in gold. By the autumn of 1916 it had become clear, however, that this step had failed to bring about a substantial reduction in imports.

A warm controversy arose then between those responsible for determining policy as to the best means of saving the exchange. The Minister of Finance advocated the prohibition of all import of luxury goods. The Minister of Trade objected that this would contravene existing commercial treaties, which did not permit a prohibition of exports or imports except "under exceptional conditions for goods required for military purposes." Moreover, it was argued that luxury goods formed but a small part of the imports; to achieve the desired result it would be necessary to extend the list of prohibitions so as to bring into it goods the import of which was desirable, and, further, that it was fundamentally erroneous to divide imports in advance into two fixed groups, without regard to possible changes in

conditions. The proper course would be to judge each case on its merits and decide whether that particular import was needed or not, and in what quantity. But if the principle of individual inquiry and permission was accepted, one might as well begin straight away by prohibiting imports altogether, and leave it to the authorities to grant import permits for each case. Even from the point of view of existing treaties that would be better than arbitrary discrimination; and the application of such a measure would not offer practical difficulties in view of the exceedingly reduced volume of imports. This standpoint was, however, firmly opposed by the Minister of Finance, and the Government accepted his original proposal that the import of luxury goods should be allowed only on the strength of special permits, granted by the financial authorities in agreement with the respective Centrals.

The decree which introduced the new regulations, in December, 1916, also introduced with the same end in view an official control of the trade in foreign bills. The Central which had formerly worked as a private body, was now given a semiofficial character, and transactions in foreign bills and exchanges were limited to those houses which were connected with the Central. Each transaction had to be justified by means of documentary evidence; and even so, means of payment could be refused if the use to which it was to be put was not approved by the Central. Similarly, all export of currency or transfer of money abroad, or even into the accounts of foreign individuals or firms with Austrian banks, required the written permission of the Central. Financial houses belonging to the Central were obliged to place their stocks in foreign bills at its disposal and to cover all their needs only through the Central. As outsiders were, in their turn, obliged to use these financial houses as intermediaries for foreign transactions, the above provision secured in fact the complete concentration of the supply and demand in foreign bills in the hands of the Central. Moreover, to make sure that all foreign payments in return for exports would reach the Central, every trader who exported goods of a value of more than 300 crowns had to hand in the counter value in the currency of the country of destination. It is admitted that this stringent regulation was often circumvented with the connivance of the buyer; the sellers supplied accounts for less than the actual sale price and retained the difference in foreign currency.

In the end this system, too, had to be abandoned. The expectation



that by regulating the traffic in foreign bills one would indirectly control also foreign trade, and especially the trade in undesirable imports, proved altogether fallacious. The only result of that interference was to shake the foreign credit of Austrian firms just when they most needed it. It was finally decided, in March, 1917, to adopt the German system, and make all imports dependent on the permission of the Ministries of Finance at Vienna and Budapest. Special commissions were set up on which the other departments were represented. But as differences within the commission had to be decided in each case by means of correspondence with the department chiefly concerned, the resulting delays were more harmful to trade than the actual refusal of the permission. Moreover, contradictory decisions were not infrequent. The granting of an import permission depended on the character of the goods, while the granting of the means of payment depended on its being available and on scale of priority according to the usefulness of the goods. To remedy this confusing state of affairs an office for the granting of import, export, and transit permissions was set up at the same time with the creation of the Commission for War and Transition Economics. All the departments concerned were to be represented on it; decisions were to be taken promptly and by a majority vote; and, especially, the granting of an import permit was to carry with it a simultaneous right to the necessary means of payment. The office worked well enough, on the whole, so that it was continued even after the collapse of the Monarchy, until the return of normal conditions in trade. It was a system, however, which could only reach a certain degree of efficiency just because foreign trade had fallen to a disastrous level. The office was able in those circumstances to guide it in the best interests of the country. It could not be expected, and it had not the means, to remedy the evils which arose out of the War itself.

### *Obstruction as a Post-War Policy.*

The material conditions which had provoked such extreme interference with the normal course of trade did not, of course, cease altogether with the end of fighting. In so far as they continued, it was inevitable that the restrictions should in a certain degree be equally kept up, especially for the protection of the currencies—a purpose which, as we have seen, had come to be the mainspring of policy even

during the conflict. One is spared the need, however, to venture an opinion as to the actual moment when the system of restrictions had ceased to be justified by material conditions. For what had been an unusual system of emergency measures during the War—when every field of economic life was invaded by the State—was continued in most of the countries of Central and Southeastern Europe after the War as a system of policy, though in principle and in practice the State had ceased to interfere with production and distribution. It is questionable whether the dislocation of international trade need have been more grave and prolonged than the dislocation of internal trade. General conditions—need of reconstruction, shortage of capital, impoverished consumers—affected both in much the same way. Yet whereas most countries, as soon as the War was over, began to reconstruct their internal economic life on old and tried lines, in the foreign field the dislocation of economic relations through state interference was relatively intensified during the aftermath.

#### *Effect of the Peace Treaties.*

The peace settlement might indeed have been expected to have such an effect in the absence of preventive stipulations. But one must note that certain restrictions were actually imposed by the Peace Treaties themselves. Bulgaria, for instance, was forbidden to conclude independent commercial agreements during a period of five years from the signing of the Treaty of Neuilly (1920–1925). During that period her commercial relations remained unregulated, that is, devoid of that mutual give and take which might have mitigated protectionist tendencies. By the time the prohibition had run its course, it had seemingly bred a reluctance on the part of Bulgaria to bind herself to long-term engagements, as the whole economic situation was in a state of flux. Similarly, the Treaty of St. Germain imposed various restrictions on the economic relations of Austria with other countries. Further, both Bulgaria and Austria, and later Hungary and Greece, saw their public assets and resources attached either on account of reparations or of the loans received through the League. As long as they remained subjected to those restrictions they were deprived of freedom of action in their international economic relations.

The general reaction of the peace settlement was, however, more

far-reaching than these few isolated and definite impositions. The Peace Treaties created a number of new or much renewed states in Central and Southeastern Europe, and that political resettlement brought in its train a measure of economic resettlement. All those states had to work out afresh their national unity on an economic and administrative basis. The several parts of new Rumania, as those of Yugoslavia and new Greece, differ widely in their economic and general make-up. Moreover, they have been torn away from their old political and social bodies, and the task of welding together these heterogeneous parts into new bodies, and of integrating their common life, presents many problems in transport as in general economics, in culture as in administration. On paper these new states were well established, but their new unity had yet to be created—and that out of the strain and stress of the post-war years. It was not unnatural that faced with such a taxing internal problem they should wish to shut out as far as possible the intrusion of additional outside problems. Hence, together with a tendency to centralism, they displayed a tendency toward economic isolation and mercantilist policy. Perhaps these tendencies were sharpened by the decline or disappearance of dynastic power, which in Eastern Europe left most of those states without their traditional binding force. The search for economic independence was, in brief, postulated by the gain of political independence. Without it—with the maintenance, in other words, of the old economic structure and contacts—the great political changes might have appeared unreal and unstable.

The peace settlement helped in yet another way the spread of economic nationalism. Whereas it gave full play to the principles of political self-government, it ignored altogether the claims of economic self-sufficiency—though they were but two sides of the same nationalist doctrine. On the contrary, in the division of territories one side was often given too much of a good thing while its neighbor was sent away empty-handed. The peculiar way in which most of the Austrian sugar factories found themselves just inside the new Czech frontier is a case in point. Hence those countries were in a way forced to try to redress the balance thus arbitrarily disturbed, so as to nationalize their economic organization. And what the peace settlement in one way or another thus provoked, in certain cases it also unwittingly facilitated. Turkey offers the best illustration of such an effect. While the peace settlement drove her out of Europe



and reduced Ottoman sovereignty to a minimum on paper, in fact she is now more truly independent than she has ever been for the last century and a half. The State which had for so long been "the sick man of Europe" and the plaything of European politics, has now been able within its new compact national unity, alone of all the vanquished countries, to defy and to thwart the intentions of the Allied Powers. The secret arrangements concluded during the War, according to which most of Anatolia was to be partitioned among the Allies, and the drastic clauses of the Treaty of Sèvres which intended to impose upon Turkey military, financial, and economic control and to maintain the Capitulations, were all set at nought by the decision which shut in Turkey within the impregnable Anatolian peninsula.

One must add to such considerations also the more imponderable reactions of the peace settlement. Instead of catching the general grateful feeling of relief on the wing, so to speak, when the War ended, and using it to usher in a new era of co-operation, the peace settlement soured that auspicious atmosphere by being excessively delayed and brutally imposed. If the nations were disarmed in a military sense, they were left free, especially in Central and South-eastern Europe, to continue the conflict in the economic field. The post-war restrictions of the Succession States were in a sense but a continuation, on a national scale, of the boycott often adopted by the nationalities of Austria-Hungary in their mutual conflicts. Therefore the obstacles placed in the way of trade were not always dictated by economic ambitions, and they frequently went beyond even those definitely laid down in formal regulations and trade agreements. An agreement between Poland and Hungary, for instance, for the exchange of certain defined quantities and kinds of goods, could not be carried out because of the difficulties of transit through Czechoslovakia, though on the two main lines only eighty and seventy kilometers had to be traversed. In another case one state had to send its products to a neighboring country by way of a third, in order to conceal their origin, though that route was three to four times as long. Hungary could not get coal from Czechoslovakia except in a roundabout way, while Czechoslovakia, so Count Teleki asserts, imported wheat at the same time from overseas. The situation was frankly characterized by the leader of the Hungarian Peasant Party, the late Stephen Szabó, in a speech which he delivered in Au-

gust, 1923: "Hungary is engaged in an economic war with the Succession States," he confessed, "and this war is harder and more harmful than that which we fought with arms during the world conflict."

*The Old Nationalist Feud in New Guise.*

The protectionist current had already flowed strongly in that region before the War. The War's effect was like those subterranean shocks which lift the placid waters into a tidal wave. There is hardly a feature of post-war policy which did not have its counterpart, *mutatis mutandis*, in the economic conditions of the Hapsburg Monarchy. Then as now the course of economic life was trammelled by a policy of perverted protectionism. On the one hand, under the influence of the aristocratic landed class, the Governments of Austria and Hungary pursued a retrograde agrarian policy, delaying a sound distribution of land, protecting the backward agriculture with tariffs, neglecting agricultural training, and upholding in general the backward condition of the countryside. The result was to restrict the supply of materials, of labor and of capital, and to arrest the development of the internal market. At the same time, however, they made great efforts to develop national industry with the help of protective tariffs, of subventions, and of concessions in regard to railway freights, credits, and public orders.

Protection and the use of state influence made it easy for the home industries to secure a monopolistic control of home materials and markets. It was characteristic of the old state of things that no less than fifty-six joint Austro-Hungarian cartels were functioning within the customs union—not including the purely local cartels, Austrian or Hungarian, or the international cartels. Because of the earlier development of Austria and of the concentration of financial power in Austrian hands, the system was essentially one in which Austria controlled, and extracted tribute from, the agrarian parts of the Monarchy. It was to all intents and purposes a kind of industrial absenteeism, not unlike that which characterized the feudal agriculture of Eastern Europe, because the power and profits were secured largely by Viennese finance and bureaucracy. Hence the wish to liberate themselves from the domination of these abusive cartels and of the financial monopolies, played a great part in the

national movements which finally disrupted the Monarchy. The first industrial and commercial legislation of Hungary, in the Seventies of last century, was inspired by *laissez faire* doctrine, as Hungary stood then for liberal economics in opposition to the protectionist tendencies in Austria. Thereafter, however, every rise in the wish for independence found expression in fresh measures for the encouragement of local industry. In order to keep pace with Austrian development Hungary, too, since the Nineties had adopted means for the state encouragement of industry. New industries or those in a state of development were exempted from various taxes and rates for a period of fifteen years. In certain cases the State actually provided direct financial aid. Thus in one period of fifteen years 464 new factories received such aid, amounting in all to 43,000,000 crowns (£1,680,000) yearly. At the same time the railways were nationalized, which enabled the State to arrange traffic and freights for the benefit of Hungarian industry. For a long time the Austrian *Donau-Dampfschiffahrtsgesellschaft*, subventioned by the government, had controlled Danube traffic, with a fleet of 436,000 tons. On the eve of the War the Hungarian Government helped to set up a Hungarian Navigation Company, which started with a fleet of 120,000 tons.

That exploitation of the agrarian districts by the industrially and financially more developed parts, and the resentment and the reaction of the first, played a similar part in the relations between Austria-Hungary and the neighboring agrarian countries to the east. The old Monarchy owed much of its prosperity to its historically acquired economic functions in Southeastern Europe, which served almost as a large domestic region of colonization. We have seen in the introductory part how severely the Monarchy's small neighbors were sometimes dealt with. The whole situation was conditioned by the political conduct of our time. The countries of Southeastern Europe found that they had gained political independence, often in spite of the Great Powers, only to fall into economic dependence on those Great Powers. The facts collected by Dr. Herbert Feis in *Europe: The World's Banker* show how that process operated in the financial field. They one and all aspired therefore to control their own resources and to develop a national industry, even at the cost of great sacrifice. The famous political formula which expresses one of the few sentiments which the Balkan peoples hold in common, "The Balkans to the Balkan peoples," has, since the War, been completed



with a significant economic formula coined by M. Vintilă Brătianu, which calls for development "Through Ourselves." The consequence of those misshapen relations between East and West, between industrial and agricultural countries, was that in the latter credits and resources were devoted mainly to the furtherance of industry and trade. The whole system rested, of course, on a wholly artificial basis. The real economic character of the region was made clear by the fact that crises and crippled budgets, as Professor Danaïlow points out, only occurred in years of bad harvests, which threw every economic activity of those countries out of gear.

From a political point of view one must admit, however, that countries like Rumania and Serbia hardly had any other alternative, especially after the ruinous customs wars which they had to fight with Austria-Hungary. They all adopted measures for the artificial encouragement of industry. In pre-war Rumania, as in post-war Yugoslavia, for instance, textile factories lived almost exclusively upon the profits of army contracts. The pre-war growth, however, was insignificant compared with that since the War. The plight in which those countries found themselves when they were cut off from outside supplies justified in the eyes of the nations a policy of industrial development; and in any case the War meant an opportunity or a need for the creation of many enterprises which it was difficult afterward to abandon to their fate. In Bulgaria, for instance, the number of "protected" industries rose by one-third—from 345 in 1912 to 436 in 1918—most of them being war industries. The figures for that small and typically peasant country are suggestive, because industrial development there has been on a lesser scale than in Rumania and Yugoslavia. Bulgaria in 1911 had 345 industrial undertakings with 16,000 workers (including mining but not transport); in 1921 there were 1,404 undertakings with 90,000 workers; and in 1927, 2,500 undertakings with 156,000 workers. Manufacturing increased relatively more than mining; for whereas the number of workers in the latter had doubled between 1911 and 1921, it only represented in that year one-ninth of the total number. It is also noteworthy that there was little displacement of domestic industries; in other words, the new development was additional to them, replacing foreign imports.

It is obvious that these changes, as always, made the country more dependent on foreign supplies. Whereas the limited older industry

had been occupied mainly in the transformation of native materials, the new industries depended to a large extent on foreign raw materials. Bulgaria, for instance, imported 6 metric tons of cotton in 1923, and 1,362 metric tons in 1927. Therefore many of these new industries found themselves in difficulties, caught between the fall in the purchasing value of their currencies and the impoverishment of the peasant populations, the bulk of their consumers. In Bulgaria the only permanent improvement was in the extractive industries, like coal-mining, which could put to profit the lower cost of labor. The tolerable appearance of the balance of trade of those countries is misleading from a general social point of view. The reduction in imports represents in most cases the sacrifice of really essential needs. Hence the industries which were created with the help of artificial means had to be saved later with the aid of still greater favors from the State. In addition to tariffs and to the other direct measures, which form the subject of this chapter on economic obstruction, most of the governments concerned adopted an elaborate system for internal self-help, which acted in effect as an indirect obstruction to the entry of foreign goods. The Bulgarian law for the encouragement of national industry, adopted in 1928, is typical. It was based essentially on legislation which existed before the War, but the new provisions went much farther. Among the benefits which it grants are:

- (a) Facilities for the acquisition of land for building, for road-making, etc.
- (b) Reduced freights
- (c) Reduced taxes
- (d) Free import of machines and materials
- (e) Special conditions for the exploitation of native raw materials
- (f) Preference in the granting of public contracts

A secondary aspect of these mercantilist tendencies throws a great deal of light on the acquisitive forces behind economic nationalism. Outwardly that nationalism displays itself as the creator of national unity. In fact all the countries of Central and Southeastern Europe which have acquired new provinces are disturbed by internal economic divisions, which are once more reminiscent of conditions in the old Hapsburg Monarchy. In Yugoslavia as well as in Rumania and Czechoslovakia, the situation is characterized by a double eco-

conomic nationalism. The first and more evident is the general aspiration toward national autarchy. But at the same time, in every one of them, economic life is marked also by a provincial nationalism, called forth by the attempts of the old or of the major parts, which form the core of the new state, to dominate the subsidiary provinces. The tendency is the more instructive as it is so patently a handicap in the difficult period of reconstruction. Instead of making immediate and full use of existing industrial plants, all three countries we have mentioned have endeavored to favor the growth of new industries in the territories of the chief political group.

Before the War, Hungary had encouraged the growth of industry in the Slovak districts, partly because the soil was barren and did not offer the inhabitants a sufficient means of livelihood, partly no doubt to counteract Czech attraction upon a discontented population. While Slovakia included about 17 per cent of the total population of Hungary, it received one-third of the subsidies granted by the Hungarian Government to national industries. Now, however, since achieving independence, Slovak industries find that the central authorities discriminate against them through various measures, especially through high railway freights, which greatly increase the cost of Slovak products on account of the peculiar geographical structure of the country. The report of the Union of Slovak Manufacturers for 1926 stated that the 112 chief factories of the province worked 99,000,000 working hours during 1913, but only 63,000,000 during 1926—a decrease of 40 per cent. The result finds expression in a significant increase of emigration. Sixty-two thousand people left in 1909–1913, and 96,000 in 1922–1926, 85 per cent of that total being Slovaks.

Similarly, the report for 1928 of the Chamber of Labor in the Voivodina declared that the industrial production of the province had reverted to the position of thirty years earlier. In 1920 the province had 164 larger factories, using 18,200 horse-power, and in 1927 only 136 factories using 10,500 horse-power. The industry of the province showed a deficit of six milliard dinars in the seven years since the province had been incorporated with Yugoslavia. Apart from discrimination in taxation, it would appear that loans from the National Bank were distributed up to 1927 in the proportion of 50 per cent to Serbian undertakings, 23 per cent to Croatian, and only 6½ per cent to the undertakings of Voivodina, though the latter was



industrially the most developed province of the new state. Many undertakings had therefore had to go into liquidation. Real wages had fallen to half the pre-war level. Emigration from Voivodina, which formerly had been almost absent, was now the highest of all the provinces of Yugoslavia, and most of the emigrants not unnaturally belonged to the national minorities. The figures of the Chamber of Labor put the total number of emigrants from Voivodina in the period 1921-1927 at 26,000, of whom 13,350 were Germans, 850 Hungarians, and 3,500 Slavs. The report of the Zagreb Chamber of Commerce for 1928 put the number of Yugoslav emigrants in that year at 21,800, 5 per cent coming from Serbia, 20 per cent from Voivodina, and 36 per cent from Croatia and Slavonia.

Similar facts and figures could be quoted from Rumania, where Transylvania and, especially, Bessarabia have lost many economic advantages since their change of allegiance. These circumstances go a long way to explain the regional friction which is disturbing the life of those new states. In justice to those responsible for their government one must mention, however, that they have an argument with which they seek to justify those discriminating measures which they do not deny. They point out that while the resources of the state are probably contributed in a larger proportion by the more developed provinces, those resources have of necessity to be devoted primarily to the needs of the more backward provinces. These have to be provided with administrative arrangements, with roads, schools, etc., which the older provinces already possess in a better measure. If, therefore, the Voivodina and Croatia suffer, Macedonia benefits by that policy. The argument (which hardly fits the case of Slovakia and of Bessarabia) maintains, therefore, that the apparent unfair discrimination is merely an aspect of a process of leveling, which ultimately must raise the average standard of the whole region.

### *The New Mercantilism.*

All these contributing factors—war, peace settlement, reaction against the supremacy of the industrial West—were as much political as economic. In addition, the economic conditions in which Europe found herself after the War played a more direct and almost as strong a part in stimulating mercantilism in the eastern half of the

continent. To begin with, when passing judgment on that trend, one must not overlook that it was in keeping with the dominant outlook of our time. Our views have been set so fixedly to the industrial angle that a country or region was classed economically as backward if it had remained agrarian. Western economic writers, therefore, have had as big a share as Western economic policy in stimulating among the Eastern countries an ambition to be self-sufficient. And whatever one may think of that ideal, it is if anything more plausible in the newer agrarian countries. Their general standard of living is simple and capable of great expansion, and their industries being based on the home market, it appears fair and easy to give them a monopoly of it.

But at any rate, after the War and apart from other causes, those agrarian countries often had no other choice than to try, as far as possible, to produce at home what they needed. The low purchasing power of their currencies, the scarcity and costliness of foreign credits, and above all the discrepancy between agricultural and industrial prices, threw them back upon their own resources. Some economists, like Somary, consider that that discrepancy was a result not of the greed but of the plight of industry. The disturbed equilibrium between the productive capacity of certain industries and the demand for their products, the dislocation resulting from the transition from war to peace production, the restrictions upon the flow of labor, capital, and goods, etc.—all these, in his opinion, affected industry more than agriculture. Be that as it may, the upshot for those countries in every field was a huge disturbance of the relative values between what they produced themselves and what they consumed from abroad. Figures issued in 1931 by the League of Nations showed that to pay for manufactures worth 100 gold units, those countries had now to part with 170 units of their own produce. Thus, to give an example, the volume of Bulgarian exports increased by 80 per cent in 1930 but their value decreased by 3 per cent; in 1931 the volume again increased by 40 per cent but the value once more decreased by some 4 per cent. Most of those responsible for directing policy during the post-war years considered that a free-trade system was out of place under such conditions. Artificial measures had to be used to redress the balance, and the choice lay between protection and a system of quotas.

The dominant tendency in trade policy before the War, notwith-

standing occasional vacillations, had been fairly constant for many a decade. It aimed at removing internal customs barriers and creating ever larger customs units; and as regards foreign trade, it endeavored to use, whenever needed, increasingly refined methods of control. The old system of stark prohibitions was gradually replaced by tariffs, consisting of carefully calculated and specialized duties. That tendency had been constant until it was broken by the War. In considering the post-war situation in Eastern Europe one must remember how much it was influenced by the similar mentality in the West, where at one time the Allies contemplated a joint arrangement by means of which they should carry on the struggle in the economic field after it had ended in the military field. That is what has happened, if not altogether wilfully, in the region with which we are concerned. Most of the post-war agreements in Central and South-eastern Europe have in fact not attempted to do more than mitigate locally and temporarily the new mercantilism that was born in the War. Whether they were provisional treaties of commerce or merely agreements for the exchange of goods, they were all characteristically concluded only for short periods. In the disturbed state of the Continent perhaps long-term agreements were not possible at the time. Yet none of them showed any tendency of paving the way for the resumption of free relations, while all of them bore striking and at times distressing evidence to the petty economic particularism of the parties.

The agreement between Austria and Rumania, for instance, concluded when the various countries were chiefly anxious to husband their own resources, carefully limited the latter's exports to 3,000 wagons of wheat flour, 12,000 of maize, and 6,000 head of cattle; while Austria's export quotas were meticulously fixed, even thimbles and skates being enumerated, and Rumania was not allowed to buy above 2,000,000 Austrian crowns (or \$2,350). The agreement with Yugoslavia was similar in character: Austria allowed the export of \$6,000 worth of lead pencils, while Yugoslavia, with enormous new forests in her possession, would not concede more than 500 truck loads of timber. The provisional agreement between Austria and Hungary permitted Austria to export ten truck loads of furniture, but even that called forth so strong a protest from the Hungarian cabinet-makers that their Government had to try to cancel that point. Almost every tariff was accompanied by long lists of objects



whose import or export was prohibited. The list attached to the Yugoslav tariff named no less than 670 articles which were not allowed to come in—among them being palm leaves for decorative purposes, whips made from gut, etc., while it prohibited the export of tinned food, macaroni, soap, brushes, etc. Three months later, as a concession, the export of shoe laces, tooth brushes, and certain kinds of buttons was given free. Similarly, Czechoslovakia did not allow more than 10,000 shirts to be imported from Austria. "The economic agreements concluded to-day in Europe," said Count Teleki in 1923, "are nothing else but a legislation of mutual chicaneries."

While, therefore, the War and the peace settlement disturbed established economic groups and links, complicated the transport problem, etc., it remains true that the main obstacle to the resumption of normal economic intercourse after the War was not material but rather legal and administrative. The justice of that observation can nowhere be better discerned than in the matter of tariffs. And it is not so much a question of the 11,000 kilometers of customs frontiers that were added to those already existing before the War in Europe, as of the character of the duties imposed at them. They were mostly higher in gold value, in spite of depreciated currencies, and generally more complex than before the War; and they were also more frequently modified. It is true that when the War broke out protectionism had already been in ascendance for several decades. But the protectionist wave which marked the last quarter of the nineteenth century remained within limits which, if they slowed down, did not stop, the natural movement of international trade. The War, however, spurred and hardened the tendency until trade relations relapsed into the old forgotten and crude mercantilist methods, and these have persisted since the War. The pre-war tariffs, besides being lower, were decreed for tolerably longer periods of time. The post-war tariffs continuously shifted their position, being mainly in the nature of fighting tariffs.

They were partly intended as such to redress the effect of unstable currencies; in fact they added to the general economic instability. They were also represented to be no more than instruments for bargaining; but often the negotiations failed while the tariffs remained. According to the facts published by the Economic Section of the League of Nations, of the 180 conventions published between 1920—

1926, 153 could be altered before the passing of even a single year. It is obvious that in such circumstances, and in the disturbed state of the currencies, long-term industrial and commercial contracts were well-nigh impossible. Moreover, the new classification of goods for purposes of customs duties was generally more complex, and it was not adjusted by common agreement. Viewing the post-war trend of foreign trade control as a whole, one finds that after the Armistice the many prohibitions, both on imports and on exports, with specific exemptions, were gradually transformed on to a basis of general freedom of trade, with specific prohibitions. The next step was generally to extend the system of quotas which had made its appearance during the War. Finally, all those various means have been increasingly combined into a network of interference, in which international considerations and agreements are hardly discernible any longer.

The general tendency to restrict the movement of materials and goods has extended equally to capital and labor. The efforts made during the War, to which we have alluded already, to prevent the export of money and precious metals, were continued in many countries after the War. Further, under the pressure of the nationalist temper, some countries differentiated between demands for credit from home and from abroad. This was the more serious because of the greater needs in money during reconstruction and the lessening of the money markets which had a surplus to lend. Restrictions on the movement of money took on many forms. Besides the attempt to prevent its export and to control the movement of the exchanges, some countries also imposed taxes on financial transactions, while others attempted, rather fruitlessly, to control the rates of interest. In Central and Southeastern Europe, in addition, a definite effort was made in some of the new states to control the character and activities of the banks, to "nationalize" them in a political sense, which only had the effect of checking foreign participation and deposits.

Perhaps the main impediment, however, to the flow of capital was the lack of security. While in certain Western countries there was a glut of ready money, in Eastern Europe even regular customers of high standing paid their banks anything up to 30 per cent interest. Hence arose the new system of controlled loans, under international guaranty. While they are, politically and economically, a great advance over the old kind of government loans, the new system of in-

ternational loans has perhaps had a share in strengthening and fixing monopolistic tendencies in the borrowing states. Loans obtained through the League of Nations or loans with an international guaranty, like the Rumanian stabilization loan, were secured against a lien on the revenue from customs duties or from certain state services. Some of the loans obtained from private trusts, either as a purely financial transaction or in return for concessions—like the chain of loans placed by the Swedish Match Trust—had a similar basis. It is true that in most cases the state monopolies concerned were placed on a commercial basis as regards administration and budget; but that did not alter their monopolistic character. In passing, one may also note here the paradoxical effect of private credits granted to the Eastern countries. These countries, as we have seen, used a considerable part of their revenue to subsidize artificial industrial experiments; in addition, there is no doubt that many of those experiments were financed by loans or investments received from the industrial countries of the West. One can safely assert that none of the Western money went to the help of the agriculturists, the potential consumers of Western manufactures, but that all of it went to the would-be industrialists, the potential competitors of Western industry.

If, as has been said, the "history of trade is the history of communications," then the attitude of the countries of Southeastern Europe to each other in this regard is peculiarly suggestive of their post-war outlook. For political reasons they have placed obstacles in the way of desirable new links, like the long-discussed bridge over the Danube between Rumania and Bulgaria. Worse still, they have frequently used petty reasons to obstruct the resumption even of the old connections. The frontier between Bulgaria and Serbia was repeatedly closed, though it would be difficult to see how that was to help the solution of their mutual problems. The Bulgarian-Greek railway connection on the way to Salonica, destroyed in the War, has not yet been re-established. Nor was telephonic connection resumed until recently between Sofia and Belgrade, though only three kilometers of line were missing on the Yugoslav side. Rumania had until two years ago no direct telephonic communication with Central or Western Europe, because the old line through Hungary was blocked. Nothing could better illustrate the decadence of international relations than certain happenings in the ports on the Lower



Danube. Early last century the Western Powers had to take steps against Russia, and finally in 1856 to deprive her of Bessarabia, because she was of set purpose obstructing traffic at the mouths of the Danube; early in 1931 Russian corn was denied access for transit to the Danubian ports of Rumania. After a hundred years of organized European life it was possible for a small state to adopt, without incurring even censure, the treatment for which Russia was denounced a century ago.

Finally, we must refer to the restrictions on the movement of people. They have become even more excessive than those upon the movement of capital and trade. One need not hark back to the time when the foreign artisan was a welcomed guest everywhere. Unlike trade, however, migration was altogether free before the War, and reached in fact its greatest extent during the decade which preceded the War. The change has affected in a special degree the region with which we are dealing, because Austria-Hungary contributed nearly one quarter of the emigrants to the United States; Hungary alone having sent 1,500,000 emigrants between 1890 and 1908. After the War the United States imposed increasingly stringent restrictions upon European immigrants, and in addition the European countries imposed restrictions among themselves. In one of the most advanced countries of Central Europe the police regulations contained the following note: "Entry is free for citizens of all non-European States. A number of restrictions obtain, however, for citizens of European States."

All this has created extreme difficulties in the exchange of workers and the adaptation of labor to changes in economic conditions. In many professions migration is altogether checked, thus preventing the best use being made of trained specialists. The activity of the foreign *entrepreneur* and even of the investor is hemmed in in most countries. Middle-class elements and workers have lost almost all freedom of movement. There will be general agreement with the views expressed in the volume on the *Economic Consequences of the League* that "this cooping up of European peoples within their own frontiers has had an effect both on general economic progress and on national policies." Many of the restrictions on the free flow of trade and capital have in fact been excused with arguments relating to an excess of population. Perhaps the restrictions on migration have contributed more than any other economic factor to the spread of a

nationalist outlook. They hit just those elements—bourgeois, worker, and peasant—who were most spirited and most anxious to find outlets for their energies. Many of those, therefore, who had been traditionally the carriers of liberal tendencies, discovered a new interest in the State, and demanded from it and through it opportunities of work and life within the national frontiers. And there is in this, so to speak, a continuously rising compensating relation at work: the more the State has to give, the greater the interest in it of those who stand to receive. Self-sufficiency is no longer, as in List's time, merely a system of national economy. In its new fashionable guise of Autarchy it is becoming a political and social creed, in which its somewhat bewildered and many-minded adherents are discovering the most romantic promises of moral and material well-being within the isolated national-socialistic State.

## CHAPTER XII

### ECONOMIC CO-OPERATION

THIS broad survey of the economic effects of the War in Central and Southeastern Europe would miss an important aspect of the subject were it not to mention that besides causing destruction and dislocation and provoking obstruction, the War also induced much economic co-operation. As the states which were drawn into the conflict found themselves divided into two groups, it was but natural that the members of each group should come into closer economic relations with one another. The arrangements for co-operation have been both substantial and in many ways novel. They fall of themselves into two categories, differing in kind and in purpose. The first category includes the arrangements made during the War and for the purpose of the War. They were brought about partly by the need of finding as far as possible within each group substitutes for those economic activities which had formerly been carried on with the enemy or neutral countries and were now severed; partly—and these were of course the newer and more significant ways—to organize and pool in some measure the resources of the group, so as to enable it the better to stand the unexpected and unparalleled strain of the War. This revelation of the economic effort involved in a modern conflict, together with the experience in systematic economic co-operation made by each group—and, one should add, also in systematic economic aggression against the other group—led in its turn to the second category of arrangements. They were of a politico-economic kind, in that through them the improvised and *ad hoc* war-time co-operation was to be continued and developed after the peace.<sup>1</sup> In both categories the features of war-time economic co-operation in Central Europe differed, in a seemingly contradictory

<sup>1</sup> It is noteworthy that the Treaties of Peace, while creating many obstructions, as the prohibition of Austria's union with Germany, made no arrangements whatever for co-operation. The economic co-operation of the Succession States was discussed at Paris, but all that came of it was the permission given to Austria, Hungary, and Czechoslovakia to grant each other preferential tariffs during a period of five years (Article 222 of the Treaty of St. Germain). No use whatever was made of that permission.



manner, from those which marked the Allied economic co-operation in the West.

*Economic Co-operation for War.*

Perhaps the most striking fact in regard to economic co-operation is that it had in no way been foreseen and in no way prepared. No better proof could be had of how utterly new was the nature of the World War. In the wars which had shortly preceded it, the Balkan Wars, no economic co-operation took place between the Balkan allies. That conflict, it is true, was on a relatively small scale, but so were the belligerents small and unprepared countries; the chief difference was not so much the size of the conflict, but the fact that the belligerents were able to continue to draw upon outside sources of supply. All the more suggestive is the absence of any preliminary arrangements for co-operation among the Central Powers.

The Central Powers had to take into account the possibility of being cut off from outside sources of supply in a general conflict with the Entente, for in that respect the presence of Italy in their camp would in any case have been nullified by Britain's control of the seas. Germany and Austria-Hungary had been formally and closely allied for many years; their military establishments had been adjusted and highly elaborated, with the aim of joint action against known opponents always in view. Moreover, Germany was of all countries perhaps the one most imbued with the sense of minute and disciplined organization; it was one of her leading men of affairs, Walter Rathenau, who after the outbreak of the War was the first to foresee the need for the systematic planning of production and distribution. As we have already noticed, it was only with difficulty and delay that he induced the military to accept that view themselves; before the War they had not thought of it at all. Nor is there any evidence that, during the discussions which for a number of years had proceeded between the general staffs of the Entente, the question of economic co-operation was thought of or mentioned.

The position in Central Europe during the first few months of the War was peculiar. Naturally, Austria felt the interruption of economic intercourse more than Germany. But she was still able to get substantial quantities of raw materials from overseas through Genoa

and Switzerland, and even through her own ports, circumventing the enemy blockade, with the use of Italian ships and of the official Italian war insurance system. In contrast to that, the German prohibition of export and transit deprived Austria of access to raw materials and foodstuffs from the northern neutral countries, and to overseas supplies through the northern ports. Austria was hit the more severely, as she had for many years obtained her overseas supplies through the intermediary of German and Dutch trade. The stocks held in the great German and Dutch ports were the greater for being intended to satisfy also Austria's current needs; while for the same reason the Austrian ports had never developed an important entrepôt trade (except for coffee and certain minor exotic products from the Levant). Large quantities of various raw materials, which had been purchased for Austrian account and as such were in fact Austrian property, were stored at the time in the free ports of Hamburg and Bremen. The German prohibitions blocked the use of these supplies, and checked even mutual trade in the products of the two allied countries.

Negotiations to put an end to that nonsensical situation began in the second month of the War. They led to an agreement which lifted the prohibitions on transit; though supplies from the free ports of Hamburg and Bremen, as of Trieste and Fiume, were to be regarded as export, and as such to remain subject to the general restrictions and prohibitions. So far, therefore, the arrangement was purely negative—merely the removal of new war restrictions, though by no means of all of them. At the same time, however, the discussions gave the impetus for the creation of the first economic war-organizations in Austria, which were to co-operate with the similar organizations in Germany. Details of their nature and work have been given in an earlier part of this volume. It was only at this point that a beginning was made with something positive in the way of economic co-operation. And in that rudimentary state it remained throughout the War. Referring to the protocol which concluded the discussions in Berlin at the end of September, 1914, Dr. Riedl says: "The declaration made in the protocol [that intimate co-operation was desirable] offered at the same time, if one wished to make use of it, a starting point for a unitary organization of war economy in the allied States. But the idea was not pursued any further; greater weight was placed on complete independence, even in a formal sense, than in

systematic collaboration with the allied countries in organizing the economic side of the War."

Here a comparison with the Western Allies imposes itself, as it reveals one of the curious aspects of the World War. The Western Allies were not bound together by such a firm alliance as the Central Powers (that between France and Russia being irrelevant to this aspect of the subject) ; and as they had to the end free access to supplies, the need for planned economic co-operation was also less obvious in their case. Yet, in fact, economic co-operation, though started later, was in their group much closer and went much farther than in the group of their opponents. There was nothing among the latter, for instance, to compare with the elaborate and successful Allied Shipping Control. That difference is from every point of view—material, political, and psychological—so paradoxical that an explanation is not easily found for it. The greatest common need should have been the logical criterion, yet it does not answer in this case, for that need clearly was enormously greater in the camp of the Central Powers. We are, therefore, thrown back for an explanation upon a negative criterion: war-time economic co-operation was not in relation to the common need, but rather in inverse relation to individual needs, especially as regards necessities.

Individual needs also were incomparably more severe in the Central European group. Among the Western Allies there was occasional shortage and a certain strain, but never and nowhere actual distress. They could therefore bring a reasonable frame of mind to bear upon their common problems, and could afford to accept a common direction which promised to assist their joint effort without endangering their several means of subsistence. In Central Europe, however, as the War dragged on, shortage degenerated into severe privation and finally into desperate want. Hence every discussion or arrangement for the common ordering of supplies was undermined by endless grievances and fears, by mutual recrimination and suspicion. It is not easy to induce the hungry man to throw his last piece of meat into a common broth. We have already had occasion to mention how this factor of acute need had undermined the Austrian economic and administrative system, each national province tending increasingly to hoard local supplies for its own use, without concern for the fate of the whole; and how it had powerfully contributed to turn Austrian relations with Hungary into an economic struggle of



subterfuge and evasion. If that was the effect of attrition upon the parts of the same State, it was not likely to be different upon the members of a loose military coalition.

The monographs in this History dealing with the countries of Southeastern Europe contain many details which go to corroborate this reading of the question. Professor Danaïlow mentions how bitter was the feeling of Bulgarian troops when they had to fight side by side with German troops who were so much better dressed and equipped and catered for. The Bulgarians had all the less patience with the efforts of the German authorities to obtain supplies from Bulgaria, especially as the means employed were not always those traditionally expected from a comrade-in-arms. The organs entrusted in Bulgaria with the husbanding of the country's diminishing supplies had to wage a continuous battle against the German and Austrian purchasing agencies. "In principle they acted within the law, but at the same time they succeeded in exporting much greater quantities of produce than those for which they had received permission." They were helped in this by the fact that the Central Powers had a virtual monopoly of transport on the Danube. The German High Command repeatedly sought to have the control of supplies in Bulgaria transferred from the civilian to the military authorities; and Professor Danaïlow, who mentions this intrusion, also suggests that at least on one occasion an attempt was made to secure supplies through the use of spurious documents purporting to represent an agreement between the German and the Bulgarian High Commands. Another time it was discovered that railway transports labeled "war material," and as such exempt from control, consisted in fact of parcels of foodstuffs, purchased clandestinely. After "awkward and painful discussions" Bulgaria secured the acceptance of the principle of reciprocity; but while Austria-Hungary sent the goods which it had undertaken to exchange for Bulgarian supplies, Germany failed to keep her side of the bargain, on various pretexts, but used those same goods as a means of obtaining food supplies in underhand barter. "The conflict between the German military authorities, representing the Prussian War Ministry, and the Central Committee [controlling Bulgarian distribution] concerning the general distribution of supplies, became more bitter every day."

Dr. Emin mentions another suggestive circumstance, likewise con-

nected with the shortage of supplies. Turkey was altogether dependent for paper on imports from the Central Powers. "The quality used for newspapers was distributed by the German and Austrian embassies directly to the Turkish press. It came in small quantities, and was rationed to the newspapers at cost price, or one-fifth of the retail price in Turkey. The idea was to use paper as a means of exercising pressure and controlling the policy of the whole press." Such practices and incidents tended to create a state of mind which was not conducive to economic co-operation. In Turkey an aggressive nationalism developed during the War with the slogan "Turkey for the Turks," aimed largely at the Germans. "A very acute suspicion of German post-war designs was dominant in all minds. The Germans in general acted very cautiously in order to take the edge off Turkish distrust. In interested circles in Germany great hope was built on the prospects of a German monopoly in the exploitation of resources. Some imperialistic writers had definite suggestions for a German colonization of Asia Minor. They were generally induced to keep silent; and German activity seemed to be confined to a very thorough and manifold investigation of Turkish economic problems."

Here we are beginning to touch on the second category of measures for economic co-operation—those which were to come to fruition after the War—about which more will be said presently. But the above quotation from Dr. Emin's volume on Turkey indicates a second and no less important factor which checked closer economic co-operation within the Central European group already during the War—a factor which again acquires emphasis from a comparison with the Western group of belligerents. Co-operation in the West was among a number of great states: whatever their dependence on one another during the War, they knew that each could resume its own influential standing after the end of it. They could accept to be bound by ties which they could afterward remove at will. In the Central European group, however, the inequality of power engendered deep uneasiness all along the line. Austria-Hungary was afraid of becoming too dependent on Germany, Hungary on Austria, Bulgaria and Turkey on both the Central Empires. The weaker members of the group suspected that behind every suggestion for a common war organization there lurked the ulterior motive of post-war domination; and, therefore, instead of surrendering to the needs of

some unified plan, we find the smaller units in the midst of their desperate common struggle actually striving to consolidate their economic position against the bigger partners. We have already mentioned how Hungary used the opportunities of the War greatly to develop her industries and in general to make herself more independent of Austria. Both Turkey and Bulgaria during the War made similar efforts, described by Dr. Emin and Professor Danaïlow, to swell up by various artificial means their national industries and their financial institutions. Therefore, if willingness to accept a war system of economic co-operation was in inverse ratio to each nation's anxiety for its own means of subsistence during the War, it was also and equally in inverse ratio to each nation's fear of economic interference and domination by the others after the War.

*Plans for Economic Co-operation after the War.*

The validity of the latter argument appears more clearly when one comes to consider the second category of measures for economic co-operation—which in the nature of things consisted of schemes and proposals rather than of settled arrangements—namely, the measures envisaging a more definite system of economic co-operation after the War. Here again we are faced at once with a curious paradox. It would have been natural to expect that the group which practised closer co-operation during the War would be the one to think of continuing to do so after the War. In reality each group showed in regard to its post-war intentions a reversal of its war-time practice in the economic field. The Western Allies vaguely discussed at one time in Paris the possibility of continuing their economic co-operation; but the ideas then expressed were unmistakably inspired by antagonism toward the Central Powers rather than by economic good-will among themselves. In any case, that preliminary exchange of views was not pursued any farther, and nothing more was heard of those schemes when the fighting was over. On the contrary, the end of the War, it seems, was tacitly assumed to mark as a matter of course also the end of economic co-operation. All the war-time arrangements were quickly allowed to lapse and all the joint organizations were disbanded.

All the more elaborate and ambitious were the plans for post-war co-operation contemplated by the Central European group, and



that at the very time when they could achieve but a petty measure of economic co-operation for carrying on the War. Their ideas reached indeed so far that they were not satisfied with a scheme limited to the members of their own alliance; they hoped at one time or another to draw into it also one of the enemy countries, Rumania, as well as two states to be newly formed, the Ukraine and Poland. The documented story of the formal negotiations which centered round these plans is told by two of the distinguished officials who had an active share in them, in what is one of the most interesting and important volumes in the Austrian and Hungarian series.<sup>2</sup> They were conducted mainly between the two chief powers in the group, Germany and Austria-Hungary, as in any case the initial issue involved was the proposed economic union between their two empires. But the wider scheme also dominated the negotiations with the Ukraine at Brest-Litovsk, in conjunction with the peace negotiations with Russia, and the peace negotiations with Rumania at Bucarest, as well as sundry approaches to Bulgaria and Turkey.

It lies outside the purpose of this study to deal in any detail with these schemes. We are interested in this section merely to try and find out in what measure the experience of the War favored the growth of economic co-operation, and in what spirit and with what effect it was undertaken. The most likely of all these plans was that for an economic union between Germany and Austria-Hungary. It was an old and frequently revived idea; and now that political issues no longer divided the two empires, and that the defection of Italy had left them more than ever dependent upon each other, the logic of the idea impressed itself with fresh force upon many eminent minds in both countries. The distinguished German economist Friedrich List took it up with great fervor, on a somewhat broader basis, in a brochure published in 1914; and at his invitation the Austrian economist Eugen von Phillipovich gave it warm support in a contribution to the same serial publication (*Zwischen Krieg und Frieden*). In a more popular form, and with a wide popular appeal, the whole conception was restated in Friedrich Naumann's *Mittleu-*

<sup>2</sup> Dr. Gustav Gratz and Dr. Richard Schüller, *Die äussere Wirtschaftspolitik Österreich-Ungarns: Mitteleuropäische Pläne*. An English version, somewhat abridged, prepared by Professor W. Alison Phillips, is available under the title, *The Economic Policy of Austria-Hungary during the War in Its External Relations*.

*ropa*, which received as much attention elsewhere as in the region directly concerned. Naumann, too, insisted that the foundation for any wider scheme must be first an economic understanding between Germany and Austria-Hungary. At the time there still was competition between them, he said, "competition between brothers, which is best settled by both taking a share in the business."

It was this idea that formed the basis of the protracted negotiations between the two empires which were initiated through a confidential memorandum by the German Foreign Office in November, 1915. The memorandum contemplated a fairly comprehensive customs union, with a common economic policy toward third states; and, in passing, it is interesting to note, as confirming the argument of the previous section, that among the conditions laid down the most important was one demanding better opportunities for German export to Austria-Hungary, which, it was claimed, was being injured by the economic war regulations. The Austrian reply was more reserved, and new difficulties and doubts cropped up at every step, so that notwithstanding the acceptance of the general principle the technical discussions only came to an end on October 11, 1918, on the eve of the collapse. They had taxed to the utmost the skill and ingenuity of the experts engaged in the work, and it is of interest, therefore, to quote what Dr. Gratz and Dr. Schüller have to say on the general theoretical basis of the agreement:

Thus, in the course of the negotiations there had been crystallized a simple formula which represents a new solution of the problem involved in the economic union of independent States. The problem is how such States can form an economic area, permitting the utmost possible freedom of movement within its limits and a common attitude towards the outside world, without surrendering their sovereign independence and without the ruin of important branches of their respective economic lives. To avoid this, the imperiled industries need for a long transition period protection against the competition of the allied States and also, as against other States, a larger measure of protection than the industries of the allied State. The problem is how to reconcile this with the development of freer intercourse within the alliance and with a common commercial policy. Difficulties arise from the fact that the various external and internal duties are interdependent, and that the alteration of any one duty reacts upon the rest, so that a connection between the duties must be created which works automatically, in order to secure freedom of action in matters of commercial policy and to prevent con-

fusion resulting from every alteration of the tariff. This is the meaning of the agreement reached between Austria-Hungary and Germany.

The practical meaning of the formula was to set in fact very narrow limits to the agreement between the two countries. Put at its simplest, it amounted to splitting toward one another the difference in the protection which each country gave to its industries toward the outside world. As this was generally much higher in the Austrian case, many more Austro-Hungarian products were as a consequence to enter duty free, if they could, into Germany than German products into Austria-Hungary; where protection was fairly high in both countries, the intermediary duties were to be equal to the difference between the respective external duties. The point which interests us is this: that no matter how ingenious and useful the arrangement may have been as a compromise, it remained far behind the ideal of a genuine economic union allowing the development of a mutual division of labor. In detail it amounted to no more than a partial system of preferential tariffs; and in essence it amounted to an experiment. It was to be limited to a duration of thirty years, with a right of revision every ten years; so that it allowed at least as much scope for the further growth of a divided economic life as it advanced the establishment of an adjusted common economic life.

The negotiations with Germany fell in the same period as those for the renewal of the *Ausgleich* between Austria and Hungary, and the two became in a sense interlinked in a manner which throws much light on the state which the Hapsburg Empire had reached at the time. The current *Ausgleich* was due to expire at the end of 1917; the discussions for its renewal began in January, 1916. From the outset the Austrian Government sought to link up the new pact with the proposed agreement with Germany, in an obvious attempt to provide a sheet-anchor against the growing centrifugal tendencies of Hungary. On that ground it proposed that the new *Ausgleich* should be concluded not, as had been usual, for ten years, but like the eventual treaty with Germany, for thirty years. But the head of the Hungarian Government, Count Tisza, though a staunch believer in the Austrian connection, would not hear of that suggestion. He began by putting forward a list of new and far-reaching demands—which were described there and then by the exasperated Austrian Premier, Count Stuergh, as “permeated with the tendency to widen



and harden the separation" between the two parts of the Monarchy; and for the rest, did not hesitate to say that while the prolongation of the *Ausgleich* would be regarded in Austria as a triumph, it would in Hungary be regarded as a heavy defeat. Indeed, the mere rumor that the duration of the pact might be extended to twenty years led to blunt and significant speaking in the Budapest Parliament, and that from tried and staid politicians. Count Apponyi declared that such a step would be tantamount to a surrender of the Constitutional guaranties, for "it was possible that at some future moment a majority of Hungarian opinion may declare in favor of economic independence." And Count Karolyi warned that if that idea was carried out, it would provoke a popular revolt which it would not be possible to put down without violent dictatorial methods.

Count Tisza had, in fact, indicated that he might accept a prolongation of the *Ausgleich*, but in no case beyond twenty years—provided that his other demands were first conceded—if an agreement was reached with Germany, so that the two arrangements might be brought into harmony. He was willing, that is, to do it for the sake of strengthening the alliance with Germany, but not for the sake of saving the existence of the old Empire. Yet even so he was seemingly more generous than other leading Magyar politicians. When Count Tisza resigned, in May, 1917, it was intended that Count Apponyi should join the new Ministry; but the latter declared that while he was ready to agree to a twenty years' treaty with Germany, he would on no account consent to a twenty-years' *Ausgleich* with Austria. This attitude was capped by a tale-telling Hungarian proposal, meant to solve the dilemma, that treaties with Germany should be concluded by Austria and by Hungary separately. In the end, extraneous circumstances solved the problem which Austria apparently was capable no longer of solving herself. When the Hungarian Government was taken over by Wekerle, who was friendly to the union, it was agreed to postpone the *Ausgleich*, and to submit it to Parliament at the same time with the eventual treaty with Germany, in the evident hope that the latter would smooth the passage of the other; and in the meantime the old *Ausgleich* was to be continued provisionally till December, 1919. Before that date the dualist pact, like the agreement with Germany, was engulfed in the military collapse of the Monarchy. The negotiations

for the last *Ausgleich* had, at any rate, served to show that in its existing form the Hapsburg Empire was hardly stable any longer; and that no matter what the result of the War, some other political constellation was destined to take over its heritage.

The constellation which in those years was powerfully and hopefully coveted by the more active spirits in Central Europe was one in the image of Naumann's *Mittleuropa*. The economic agreement with Austria-Hungary, though inadequate, was in any case meant to be merely the indispensable first step; the next would have been its extension, in one form or another, according to the circumstances of the moment, to at least those states in Southeastern Europe which already were in the Central European camp. In the light of what we have said on the economic co-operation of the Western Allies, who drew asunder as soon as the military struggle was over, it may perhaps be questioned whether even in case of victory the Central European coalition would have worn better than the other—a question to which no certain answer could now be given. Yet there was one important difference between the two cases. Such a grouping could have been held together only by a strong and purposeful power. Had she secured a decisive victory, and with Russia out of the competition, Germany may well have been able to play toward the smaller states to the east and south, a part similar to that which Prussia played toward the southern German states in the creation of the German *Zollverein*, and after the discomfiture of Austria in the Sixties in the creation of the German Empire. For such a rôle she had both the mind and the will; her diplomatic and economic activities, and the reactions to them in Southeastern Europe, both show it clearly.<sup>3</sup>

If more formal and definite steps were not undertaken by her before the end of the War, that was no doubt due mainly to the need of waiting for the conclusion of the agreement with Austria, which was to provide the basis also for the constitution of the wider group. Partly it was probably due also to the evident doubts and suspicions

<sup>3</sup> Professor W. Alison Phillips quotes in the Preface to the volume mentioned above the following sentiment from the *Rheinisch Westfälische Zeitung*, which was the mouthpiece of the heavy industry of the Ruhr: "The future of a Central Europe will find its best guarantee in a Prussia-Germany emerging from the War so strong, that it will occupy a dominating position in Central Europe, and the others will have of their own accord to seek our alliance."

among the smaller allies concerned, who had to be humored while they were still needed as helpers in the War and while victory was as yet uncertain. We have already quoted in the previous section what Dr. Emin has to say on the hopes which Germany entertained of acquiring a controlling economic influence in Turkey after the War, of her careful if quiet survey of the field during the War, and of the intense suspicion with which those hopes and activities were viewed by Turkey's political leaders. What Professor Danaïlow tells in more detail about Bulgaria provides a similar picture. There were in fact two separate threads running through the vision which German writers and politicians had of a profitable eastern expansion—the popular and fairly simple conception of a Berlin-Bagdad railway under German control, and the much more ambitious conception of an economic grouping, also under German hegemony, reaching from the North Sea to the Indian Ocean.

The idea of the Berlin-Bagdad railway had already been actively furthered before the War and was in a fair way of being realized. Once the difficulties, political and material, in the Asia-Minor sector had been overcome, there was apparently no insuperable obstacle remaining to its achievement. For the small countries along its route, a project which promised to develop through them an important transit between Central Europe and the Orient could only have alluring possibilities. That was the feeling in Bulgaria before the War, in so far as anyone took notice of the matter at all. But the War and the alliance changed all that, in a way which perfectly illustrates the sentiments engendered by war, even among allies; all the more so as in this case the advantages were patent and the risks problematical. Yet, says M. Danaïlow, "for reasons which still remain unknown and inexplicable, a diametrically opposite sentiment appeared in Bulgarian public opinion and among the soldiers at the front. The length of the War, which was pressing heavily on a country so weak in population and resources as Bulgaria, helped to strengthen that sentiment. Everybody now explained their presence in the trenches as caused by Germany's illimitable economic ambitions, ambitions which took little account of the interests of small and feeble Bulgaria. That is the only way to explain the hostility shown during the War by our public opinion toward the idea of the Berlin-Bagdad railway—a hostility which was powerful enough, and which was prevented perhaps only by the censorship from de-



veloping into a serious movement against the country's official policy."

Public anxiety was sufficiently great to induce the Bulgarian Economic Society—a detached scientific body—to ask its administrative Council to consider the question. After a number of meetings the Council reported that if the plan involved merely the administrative linking up of the railway services concerned, without any detriment to the sovereignty of the country, they were unanimously of the belief that it was to be welcomed and assisted, as likely to bring great economic advantage to Bulgaria. By contrast, the society at once pronounced itself hostile to the second plan—that for a Central European economic union. On this issue the press was more outspoken; and in so far as the censorship muffled its tone, the opposition let itself be heard in no uncertain voice in Parliament, warning the Government against allowing itself to be drawn into any discussions on the subject. It was feared that such a small and undeveloped state as Bulgaria would soon fall into the rôle of a dependency in any economic union dominated by the powerful and wilful German Empire. There is no means of saying whether the Bulgarian Government had been approached more or less formally on this subject, but various signs indicated that the plan was being actively studied by the official organs of the two Central Powers; and their high officials, and even Ministers, were not reluctant to discuss it. So unsettling was the anxiety felt by Bulgarian public opinion on this question that the Economic Society sent a delegation to visit Budapest, Vienna, and Berlin, to ascertain in a reliable way what was being prepared; and they had to be reassured by no less a person than the then Prime Minister of Prussia, and later Chancellor, Herr Helfferich, that the *Mitteuropa* plan was only a theoretical idea and was not to be considered as a settled policy of the powers ruling in Central Europe.

The evidence we have as to these plans of the Central Empires is not, however, altogether incidental. As regards the Berlin-Bagdad scheme, there is the substantial loan raised by Bulgaria on the eve of the War in Germany. It was the first loan to be secured by her in the German market, and it was obviously not a purely financial transaction. Among the privileges granted in return to the lending banks—against fierce opposition in Parliament—was the future exploitation, as a private concern, of the "Pernik" coal-mine—the only coal-

mine to belong to the Bulgarian State and one that was indispensable to the Bulgarian state railways. In addition, the banks secured contracts for various railway and harbor constructions, to which the bulk of the loan was to be devoted, 75 per cent of the construction and working material having to be purchased in Germany and 25 per cent in Austria-Hungary; and the Bulgarian State undertook to continue to buy all material for those railways and harbors through the intermediary of the lending banks during a period of fifty years. When, after Rumania's collapse, it was a question of handing over the Dobrogea to Bulgaria, Germany claimed a privileged position in the chief port of the province, at Constantza, and a controlling interest in the Cernavoda-Constantza line, which linked up the Danube with that port. Not unconnected with that plan was the special protocol attached to the Treaty of Peace enforced upon Rumania in the spring of 1918, which would have given Germany virtual control of the Rumanian oil fields for a period of ninety years.

Still more definite is the evidence which the negotiations with Rumania offer concerning the economic union. In their discussion of those negotiations, Dr. Gratz and Dr. Schüller say that it was the aim of the Central Powers to induce Rumania to join the economic alliance which was being planned between Germany and Austria-Hungary. They quote a memorandum of Dr. Schüller's to show how essential that extension of the group was for the Monarchy:

A Customs Alliance with Germany is only possible for Austrian and Hungarian industry if it is supplemented by corresponding agreements with the Balkan States. If we throw open our gates to German industry, a way into the Balkans, and especially into Rumania, must be thrown open to our industry. But this is also possible; for if a way into Germany is opened for our agricultural produce, we can also open our gates to the Balkans.

The Rumanian Government having in the meantime been taken over by M. Alexander Marghiloman, who had remained throughout a believer in the alliance with the Central Powers, it was possible together with the signing of the Peace Treaty to proceed to an exchange of notes on this subject. The Rumanian communication was as follows:

With regard to our conversation on the question of a Customs Alliance between the Central Powers and Rumania, I have the honor to inform your Excellency that Rumania is prepared, in the event of a future Customs Alliance between Germany and Austria-Hungary, to enter this Alliance under conditions to be settled later, and, on the invitation of the Central Powers, to enter upon negotiations on this question without delay. Requesting your Excellency to treat this communication as strictly confidential, I remain etc., etc., Marghiloman m.p.<sup>4</sup>

M. Marghiloman was one of a very few politicians in Southeastern Europe who had any sympathy with that idea. The great bulk of them, on the contrary, were afraid and antagonistic, as they felt that their countries had not emerged as yet from the stage of national consolidation; and Germany's peremptory methods in her economic dealings with foes and friends alike during the War had undoubtedly hardened those sentiments. All the contributors to this History from Southeastern Europe are agreed that the economic plans of the Central Powers merely had the effect of hastening and intensifying in their own countries a movement for economic self-sufficiency and self-protection. There is no doubt that the psychological effect lingered on even after the discomfiture of the two empires, contributing greatly to that anxious and suspicious economic exclusiveness which caused the Succession States and the Balkan States to bolt their gates at the mere mention of any plan of co-operation, lest it should prove a Trojan horse. Nor was that attitude altogether unjustified. Ideals are not much in evidence in the various economic plans and negotiations, whether conducted with friends or with foes. There is hardly any difference to be found in

<sup>4</sup> The late Count Czernin, at one time Austrian Chancellor, writing in May, 1927, in the *Neues Wiener Journal*, disclosed an interesting suggestion made to him by one of the Rumanian Conservative leaders, M. Nicolae Filipescu, in 1913. M. Filipescu apparently approached Count Czernin, who was then Austro-Hungarian Minister at Bucarest, and requested him to transmit to the Archduke Francis Ferdinand a suggestion for a union between Austria-Hungary and Rumania. The union was to take place when Francis Ferdinand succeeded to the throne, and Rumania was to have in the new political organization much the same place which Bavaria had in the German Empire. There is nothing to suggest that the idea had any substantial support in Rumania. But a closer association with the Central Powers was always favored by a few Conservative leaders, who felt that, left to herself, Rumania was ever at the mercy of Tsarist Russia.



aim and in attitude between the two categories in the faithful records of Dr. Schüller and Dr. Gratz; and the discussions between Austria and Hungary were in both respects worse than all the others. The spirit which runs through them all is that bluntly exorcised by Friedrich Naumann in his book—everyone grasping after “a share in the business.”

And so, whether we look east or west, the true temper of war stares at one starkly in these economic issues. Co-operation was greatly needed; it was effective and eloquently extolled during the War; but it was shaken off at the first sign of peace as if it were a dishonorable burden—and it made little difference in the end whether the post-war relations had been planned or not. One cannot avoid a suggestive comparison with the way in which the military burden and peril were shared. In the giving and use of manpower there developed a genuine partnership, each member of the group contributing to his utmost; but supplies, even of fighting material, were given on a purely business basis and strict account was kept. And so it continued after the War. A will for mutual political understanding and assistance remained, but the former economic co-operation degenerated at once into ruthless competition. The shipping pool which had saved the Allies in the War dissolved into as many aggressively competing mercantile fleets as there were countries in the pool. The great common effort to provide the united army with the weapons needed for victory changed thereafter into as many bills clamorously waved by the former Allies in the face of each other; and so the settlement of inter-Allied debts caused as much friction and bitterness as that of enemy reparations. In brief, while brotherhood-in-arms became in a large and generous way a real thing, no one conceded or seemingly even conceived a brotherhood-in-money. So that in the end the War destroyed even where it had appeared to build. Economic co-operation remained purely a weapon of war; and the temper and skill developed in using it to that end were afterward applied by every state indiscriminately against all comers.

PART IV  
EPILOGUE





## CHAPTER XIII

### THE OLD PROBLEM AND THE NEW

MUCH has been said in these pages that justifies the heavy sentence which rests upon those who held sway in the Danubian region until 1918. But the student of history cannot escape a sobering thought when he contemplates the state of things which, in spite of such drastic political surgery, still prevails there. He has to confess to himself that the problem which had baffled, and in the end defeated, the Hapsburgs still remains with Europe.

The task which fell to the lot of the Hapsburgs after the stemming of the Ottoman advance, was perhaps the most difficult problem of government ever known to history. They could not rule as they pleased, in wilful semi-isolation, as the Tsars could do. By position and association they stood at the very heart of Europe; and to keep in line with the march of Europe they had to achieve the feat of welding the conglomerate of Danubian peoples into a political and economic unity, without oppressing their national individualities—two aspects of the problem which, it seemed, could never be made to look the same way. For when the one was advanced more or less forcibly the other reacted more or less violently. The efficient centralism of the Hapsburgs was accompanied by ceaseless resistance from the historic provinces and the several national groups; the post-war national individualism has been accompanied as tantalizingly by a painful political and economic fragility. In such a heterogeneous admixture of all the elements of statehood no solution was possible on simple traditional lines. Not one of the lines of division was clear-cut, and therefore no one line of advance was obvious. That was especially true in the decisive matter of nationality. Every single one of the main provinces which claimed autonomy on historical-national grounds contained itself one or more subsidiary national groups, who preferred either to remain under the direct rule of Vienna or, in case of separation from the Empire, to link up with kindred groups outside it. And so none of the Succession States is free of the fractious problem of national minorities. An old problem, which the War did not create, and which the Peace has not solved.

Hence the question which informs our study is this. The resilience

and resources of the Hapsburg Empire were already being strained to the utmost by a hard problem of statesmanship. In what manner and degree did the War add to the strain, and in so doing cause it to come to a head in one way rather than another? The answer will go a long way to explain also the consequences. For even if it be assumed that the nature of the solution was sooner or later inevitable, the manner of the dénouement could not but deeply affect the state of things in the aftermath. When the end came, Count Czernin is reported to have exclaimed: "We were doomed to die. The only thing that we could do was to choose the manner of our death, and of all we have chosen the most terrible!" Our study has brought out how the effects of the War made themselves acutely felt in all the three elements which in the main enter into the making of a modern state: nationality, the given element for the determination of a particular political community; democracy, the common sovereignty of the people; and economic division of labor—the last two being the elements through which the group is bound together within itself and assimilated to the purpose of the State.

### *Nationality and Nationalism.*

Nationality will remain a baffling force until it be divided, for purposes of study as for purposes of government, into its component elements. Language and belief, customs and outlook, did not affect the political relations between rulers and ruled or between neighboring groups as long as they were felt to be, and were treated as, adjuncts of the personality of a particular people. In the light of its modern ravages, how tolerant were the Turks, who imposed upon the various Christian groups the duty of governing themselves, and who in their long domination of the Rumanian provinces never sought to make proselytes and never built a mosque there? Or how remotely enlightened appear the conditions which held long ago in the country which has been at the center of the recent conflagration? In old Hungary all the free inhabitants were equal members of the State, or rather of the "Crown"; they owed loyalty to it and received protection from it. But for the rest, parishes and cities and counties, as well as religious groups, were left free to deal with the matters which were their separate concern. In parishes with mixed popula-

tion it was the custom to elect the mayor alternately from each of the national groups; and in the churches ministering to mixed congregations, the Sunday sermon was given alternately in the several languages spoken by the faithful. It was the Magyar and Protestant princes of Transylvania who took care that this should be done for the Rumanian population of Orthodox faith, and that schools should be established in which the language of instruction was Rumanian. And it was the first Christian King of Hungary, the venerated Saint Stephen, who in his famous "Admonitions" averred that it was a poor and backward country which had but one language and one kind of custom: "*Regnum unius linguae uniusque moris fragile et imbecile est.*"

The rule of one people, of one language, and of one mind was precisely the direction in which things in the Hapsburg Empire moved increasingly in the nineteenth century, with one important and fatal exception. As long as rule was dynastic, rights and duties flowed from personal and equal allegiance to the Crown, who did not discourage the inter-settlement of national groups, while respecting their individual character. Until 1867, for instance, all imperial decrees and acts relating to Hungary contained reservations meant to insure proper treatment of the national minorities. So did the first *Ausgleich*, in truth, for the Minorities Law then introduced in Hungary was part of the agreement, and was liberal and statesmanlike. But while the first could be watched and enforced, the second could not. The *Ausgleich* handed over Transylvania and the Voivodina, etc., to Hungarian administration, as *partes adnexae*, removing them from the direct concern of the Imperial Government; and thereafter successive Hungarian Governments demolished one by one the quasi-constitutional guaranties of the Minorities Law (a fact admitted by Count Tisza in the Budapest Parliament on January 21, 1914). The *Ausgleich*, says Herr Rudolf Sieghart,<sup>1</sup> "did not facilitate the solution of the Empire's national problem, but rather made it insoluble; it cut permanently in two Czechoslovak and Yugoslav national territories, which after that could be reunited only as a result of a foreign war, or of a civil war between the two parts of the Monarchy." Moreover, the privileged position thus given to the Magyar nation and to the Hungarian Crown set the minds of the Czechs

<sup>1</sup> *Die letzten Jahrzehnte einer Grossmacht.*



thinking of their own historical past and rights; while the growing Magyar demands caused the Germans in Austria to be driven into what in military technique is known as an offensive-defensive policy, so as to preserve their own national position.

Nevertheless, perhaps the most common trait in the attitude of the minorities in Austria was the long-suffering loyalty of their leaders. Before the *Ausgleich*, indeed, few thought of any other solution except of one within the framework of the Empire. At Kremsier, in 1848, in spite of the revolutionary fever which was raging throughout Europe, the discussions clearly showed that the protagonists were struggling for the State and not against it; and what the nationalities nearly achieved there, until checked by reaction, was accepted by all as the right solution later, but too late. It is curious to reflect that the vision which was not given to the Hapsburgs was seen, and preached, by the leaders of the subject nationalities, and even by some of their kindred outside the Empire. The problem was most realistically and farsightedly analyzed by a former Serbian Prime Minister, M. M. Pirostchanaz, in a pamphlet published in 1892, and his conclusions still remain largely valid even for our own time. "It is in the nature of things," he wrote, "that Austria can only be either centralistic or federalistic, and if it cannot be the first it must be the second." Three solutions were possible: (1) As a Germanic spearhead, Austria must have *all* the peoples of Southeastern Europe against her; (2) as a dualistic empire, it could aim only to maintain the *status quo* in that region, and it was no longer tenable; (3) as a federal empire, it would draw all the Balkan peoples and thus fulfil the real mission of the Hapsburgs. M. Pirostchanaz ended by openly advocating the union of the Balkan peoples with Austria. "This federal union is an historical and geographical necessity for the peoples of Southeastern Europe. Where so many separate nationalities exist mixed with each other, no other political system is practicable."

Essentially the same vision was revealed by a Rumanian from Transylvania, M. Aurel Popovici, in a well-known book published in 1906 under the title *The United States of Greater Austria*. "All the peoples concerned," he declared, "were always, and at bottom still are, devoted to the Austrian idea, for between all of them there exists an inner and higher community of interest which makes of Austria

the home of their separate individualities. . . . A Great Austria which would do justice in such a way to all her peoples would have a special mission even beyond, in eastern Europe, and by fulfilling it would render her own future secure." And the man who after 1914 did so much to hasten the break-up of the Empire, M. Eduard Beneš, had only six years earlier ended his doctoral thesis (passed at Dijon) with a similar profession of faith: "People have often spoken of the dissolution of Austria. I do not believe in its likelihood. The historical and economic ties which bind the Austrian nations to one another are too powerful to let such a thing happen."

An Austrian who for many years held an influential position, comparable to that of the Secretary of the Cabinet in England, pays a tribute to the great and wise efforts made in former years by President Masaryk, as leader of the Czechs in the Reichsrat, to turn the language question from a political into an administrative issue.<sup>2</sup> But by that time a new temper had arisen in certain sections of Austrian opinion which blocked a possible compromise. The aggressiveness which the Magyars displayed toward the Empire as soon as the *Ausgleich* had given them their head, made the Austrian Germans fear that they would be swamped altogether if a similar autonomous position were allowed to the Slavs in Austria. For that reason they had opposed the occupation of Bosnia-Herzegovina; and falling in disfavor at Court, as a consequence, a powerful section of them went into opposition and undermined the efforts made after 1878 by the string of Cabinets—Taaffe, Badeni, Windischgrätz, etc.—through which the Crown tried to find a working compromise between Germans and Czechs. That was at a time when the South-Slav movement was as yet insignificant; as it acquired strength, it merely served to harden the dour attitude of the pan-Germans, as it did that of the Magyars. It was only the greater influence of the Crown in Austria, and perhaps still more the ability and admirable professional conscientiousness of the Austrian civil service, which mitigated the effect of that intransigence and thereby kept a measure of loyalty and faith alive among the national minorities.

The supreme test for the statesmanship of the Empire's two ruling nationalities came with the War. The unexpected triumph of the Balkan States in the Balkan Wars had greatly quickened the na-

<sup>2</sup> Rudolf Sieghart, *op. cit.*

tionalist currents among their kindred in the Hapsburg Empire. Even Rumania, though allied to the Central Empires, found the restraint imposed by that alliance difficult to maintain. It was no doubt the realization of that threat to the alliance among the ruling factors in Vienna which led Count Tisza suddenly, after decades of indifference to Rumanian opinion, to initiate private negotiations early in 1914 with the leaders of the Rumanians in Transylvania. We know now that this happened to have been the last chance to preserve the attachment of the Rumanians, and indirectly also of the other minorities, to the Empire. For that reason the moderate demands of the Rumanian leaders, which did in no way touch on the political constitution of the Empire, taken together with the refusal of the Magyar leaders to meet them, form the best and most detached historical commentary on the Treaty of Trianon and on the temper of international relations in that region after the War.<sup>3</sup> Count Tisza is said to have admitted that many of the demands were justified, but to have argued that they went beyond what Magyar opinion would stand. Be that as it may, the momentary disappointment of the minorities was turned into permanent antagonism by the conduct of the Magyar leaders during the War—not so much perhaps their conduct toward the minorities, which was provoking enough, but their conduct toward Crown and Empire. We have already seen how the Magyar leaders used every opportunity offered by the War openly or surreptitiously to foster whatever divided them, politically and economically, from Austria. The spectacle of that disloyalty was not only an obvious example to the dissatisfied minorities; it was still more a threat that, in case of victory, they

<sup>3</sup> The minimum demands of the Rumanians were: Elementary education in their mother tongue; compulsory teaching of Rumanian in all public schools in the Rumanian districts (as was done for German); appointment in the Rumanian districts of judges who knew Rumanian; freedom of association, and state support for Rumanian economic associations, as was given to the Hungarian; the cessation of persecution of the Rumanian press; reasonable application of the regulations relating to place names; Rumanian claimants to be taken into consideration for land settlement, etc. This summary is taken from an article by E. Treumund on "Tisza and the Rumanians" in the *Österreichische Rundschau* for February 15, 1914. The article strongly criticized the intransigence of the Magyars and ended with the warning that their attitude would not prevent the minorities question "from battering without respite at the gates of Hungary as of the whole Monarchy."



might find themselves wholly deprived of access to their only court of appeal against the growing Magyar aggressiveness.

Among the Magyars, since the federalism of Baron Wesselényi in the Forties, and the progressive statesmanship of Deák and Eötvös at the time of the first *Ausgleich*, hardly any of the leading politicians had made a stand for a more liberal policy. In Austria, on the other hand, the need for goodwill toward the minorities and of co-operation with them never ceased to be urged by men of position and influence. All the more surprising is it to find that during the War the Magyar attitude had its counterpart among the pan-Germans in Austria. In 1916 the members of Parliament belonging to the nationalist German group put forward in a manifesto certain demands for "reorganization after the War," which obviously aimed at making permanent the political and economic predominance of the German element in Austria. To that end Galicia, Bucovina, and Dalmatia were to be detached from the joint structure of government and placed under a special, mainly military, administration, so as to leave the rump at the center under the control of a German majority. German was to be made again the one and only official language. The dualist arrangement was to remain, with modifications, but it was to be counterbalanced by economic union with Germany. As far as the internal proposals were concerned, it would seem that they had in the main been accepted by the Minister for Home Affairs, with the support of the military, and that the necessary decrees were already prepared, ready for action.

Extraordinary as it may seem, therefore, it was clearly the two ruling nationalities who during the War were preparing to tear the old fabric of the Empire to pieces. While everywhere else the governments involved in the conflict sought through concessions to unite the people in support of the State, in Austria as in Hungary the ruling national groups became on the contrary more indifferent to unity and more intransigent toward the minorities, with a clear intimation of still worse to come after their victory. In such conditions the irredentist propaganda from abroad, and the encouragement given by the Allies to the formation of fighting military and diplomatic units from the minorities, found among the latter the eager response of people who had come to despair of any other course. Even so, within the country, the pan-Germans in Austria and the

Magyars in Hungary had taken the lead in forswearing the common purpose and throwing over the conception of a common empire.

*Democracy and Reaction.*

The nationality problem, as we know it, is of comparatively recent growth. Its history begins really with the French Revolution, and its political aspect is beyond doubt connected with the rise of the demand for popular government. When the power of authority, for good or evil, was taken out of the hands of the monarchs and transferred to those of representative bodies, it became a vital matter for each section and group of a people to have a voice in those bodies; all the more so as changes in economic and social life were at the same time investing the central authorities with many functions which were altogether new or which before had been in the charge of local bodies. In the Western national states the main line of division between the sections of the people was one of class, of estate; in the mixed regions of Central and Southeastern Europe the line of nationality was equally significant, all the more so when it coincided, as it often did in the rural districts, with the line of property. Hence the rising middle class naturally sought a foundation for its newly acquired political and economic position in the support of its particular national group; and that foundation had to be solidified by making the group more cohesive and distinct than it had been or need have been under dynastic rule. It was on a larger scale and on a more intensive basis the process known in electoral parlance as "nursing a constituency."

Education, physical care and cultural progress, freedom of association and of the press, equal opportunities in the administration and the professions, not to speak of an equal share of economic benefits and social services—all these became the direct issues round which the political fight centered since they had become the food on which the strength of each national group depended. And as in the Danubian regions the minorities formed the mass of the rural and urban working class, it was also natural that their leaders should be always pressing for the widening of the franchise. Its influence in the representative bodies determined in a large way for each nationality the opportunities of maintaining its substance and its spirit; hence the fight for political rights was the chief expression of

the national struggle for existence. It was the expectation that they could secure their needs through the State that made in Austria-Hungary a struggle for democratic government of what in the Balkans was a struggle for independence. That is evidenced by the curious fact that the political struggle was carried on most doggedly by the Czechs, the only national group in Austria who was not drawn to a kindred people across the border. In that sense they were the most Austrian of all the nationalities in the Empire, and while they led the fight for democratic government, they never till the very end nursed the desire for separation which was perennial in Magyar politics.

In the field of government the effects of the War, of course, were still more direct and irritating than in the vaguer issue of national freedom; all the more so because of the influence which the military wielded in Austria and of their roughshod intrusion during the War into general politics. They really believed, perhaps with some reason, in the truth of what Grillparzer had once said of the army in Italy: "In thy camp, Army, is Austria!" And when one brings to mind the more immediate historical origins of the conflict, it is instructive to remember how Count Aehrenthal, as Foreign Minister, justified the annexation of Bosnia-Herzegovina in 1908; when he wrote to his Prime Minister that the abandonment of the Sanjak of Novibazar was essential for the peace of the Monarchy, but that it could not be done without some compensation to the "justified sentiments of the army." The military were ever critical of what they considered to be the weak-kneed policy of the civilian governments toward the nationalities; the war emergency gave them a chance to show how they themselves understood the art of government.

But even so, we spoke earlier of what actually was done, which was not all that the military thought should be done. They were pressing for the complete recasting of the educational system: all subversive subjects (unspecified) were to be banned, and all youths were to receive a military education at the hands of officers; in the universities military subjects were to be taught by staff officers as a compulsory part of the curriculum. They were further urging that henceforward all emigration should be forbidden (which would have hit the national minorities especially), so as to keep the country's manpower undiminished; and they coupled with that a plan, for which draft decrees were seemingly already prepared, to establish "mili-



tary confines," with permanent field fortifications, along all the endangered frontiers. It is not difficult to imagine how such a mentality looked upon things nearer home. Any sign of displeasure with the existing system became in their eyes a crime against the war strength of the State, to be visited with stern punishment; and as every state interest had become in the War a military interest, government was ultimately ruled by military criteria, to which everything and everybody were subjected. The situation was summed up by the Emperor's adjutant-general, Baron Bolfras, when he said in the spring of 1916 that "the military high command is now the exclusive government in our country." Under their influence war government acquired something of the arbitrariness of the Turkish methods of government. To all appearance, therefore, and especially in the eyes of the subject minorities, the old police State, which they had long thought dead, had come with brutal vigor to life again.

Even if the hand of war government had not been heavier on the Danube than in the West, the effect of it was bound to be more disturbing. Not only because, while the subject nationalities expected democratic concessions the methods of war government went, of necessity, in the opposite direction; but, especially, because the nationalities were not able or willing to look upon that as an inevitable and transient phenomenon. To them it seemed rather a characteristic reversion to type, the opportunist use of the war emergency for the entrenching of German preponderance in Austria and of Magyar supremacy in Hungary. The attitude of the pan-Germans, as we have seen, offered much support for that belief; and in Hungary, as if to remove any possible doubt, a project of electoral reform prepared by Dr. Vázsonyi proposed, on the very eve of the collapse, to deny equality of franchise to the minorities. And yet, even if we were to leave these extravagances out of account, the effect of war government was bound to be much the same. The system was bound to break what could not stand its strain. The War demanded in every state the widest possible national unity; but in Austria-Hungary the War drove the ruling powers to break an already brittle unity, since it made it impracticable to satisfy the hopes, while it enhanced the fears, of the minor nationalities.

In this field again, it was the failings of internal policy which prepared the soil for the potent enemy propaganda. By contrast with the conditions in the Empire, the democratic slogans proclaimed by

the Entente sounded like a trumpet from a new world. Nor were the Allies willing to let the trumpet merely resound from a distance. Its echoes were skilfully multiplied in a continuous and insidious whisper, close to the ears of the malcontents. To grasp how the duress of war government worked upon the nerves of the national minorities in Austria-Hungary, one must take into account the curious and extensive use made by both sides to the conflict of revolutionary instigation as an instrument of war—an activity in which the modern means of mass propaganda enabled them much to excel even the original skill of Napoleon. The Central Powers consciously injected the Bolshevik virus into the Russian revolution for its effect upon the Russian army; and there is no doubt that the fanning by the Allies of nationalist passion among the minorities in Austria-Hungary, as among the Arabs, was equally potent in its political effect. Everything thus went to strengthen the feeling among the national minorities that the victory of the Central Powers would mean in the Danubian region the defeat of the idea of free popular government; and with that idea the interests of the nationalities were indissolubly bound.

*Economic Co-operation and Division.*

The effect of the War on political outlook and on methods of government thus fatally deepened the belief that the aspirations of the minorities, national and democratic, had a much safer chance of being satisfied outside the Empire than within it. In one field, however, the State had had a great initial advantage over the sentimental appeal of nationality—namely, in the ministering to the general everyday needs of the mass of the people. The modern division of labor had given the State opportunities to weld even such a mixture of peoples as those inhabiting Austria-Hungary into a living community, and to cause them to find in that living together reason and satisfaction beyond any awkwardness resulting from a variety of habits. Nor had the Hapsburg Empire been without success in that way. Difficulties there were, as everywhere else, but on the whole the Empire had established itself as a substantial economic organism, which the nationalities could not lightly endanger without serious risk to their own well-being.

The War, however, shattered the foundations of that well-being;

and as in the case of political freedom, the nationalities interpreted the war situation not as a general and inevitable emergency of the State, but rather as a failure of the State to live up to their particular claims. Earlier in the text we have told enough of the economic disasters caused by the War. They were serious enough in themselves, and intensified in Austria-Hungary by the Empire's situation and internal conditions. Economic and social distress gave rise to antagonism between the provinces and between groups, an antagonism which grew till it paralyzed the Empire's economic and administrative machinery. The simple conclusion which in the circumstances easily impressed itself upon the mass of the already discontented minorities, was that the Empire could not provide for the needs of their individual groups and save them from suffering. Mutuality did not help; more, it seemed, was to be saved through individual self-help, each group and province keeping what it had for itself. The wilful application of that method naturally disorganized supplies and gave rise to much suspicion and resentment; while the fact that Vienna and Budapest, as the centers of organization, were always making fresh demands, and in so far as they could also enforced them, confirmed among the provincial minorities the belief that they were made to slave and to suffer for the benefit of the two ruling groups. To this was added resentment caused by the impression that, in this case, they were literally working also for "the King of Prussia." In that way the economic distress caused by the War sharpened among the minorities the sense that union with the Empire was cramping their souls, with the sense that it was also starving their bodies.

### *The Lesson Ends.*

The peculiar structure of the Austro-Hungarian Monarchy thus offers a perfect case for studying the effects of modern war on the fabric of a political community. The effects of the Great War were the same elsewhere—the protracted and distracting unsettlement which has followed it is proof sufficient for that; but special conditions caused them to work deeper and, therefore, to stand out clearer in Austria-Hungary. There one can trace unmistakably how they hardened all the differentiating factors and loosened all the binding factors within the State. A different impression might be conveyed by the concentration of economic functions in the hands of the State,



which bears on the surface the appearance of a fresh unity. But it really is axiomatic that the State has to intervene in the measure in which voluntary action cannot be relied upon. The fact that everywhere the State had to continue to intervene after the War was over, shows that economic cohesion was broken and economic co-operation inadequate.

The argument applies still more forcibly to social cohesion. The demands of a modern war put the utmost strain upon the devotion of a people to a common cause and upon their willingness to incur sacrifices for it. A careful study of the effects of the World War indicates plainly how the strain tells on what has come to be known as a "totalitarian state," in which fissures in the social fabric have been covered over by force of authority rather than mended by skill of statecraft.

Especially is the lesson clear as to the effects of war on national sentiment. War in the modern manner is but an instrument for carrying out that policy which is bred by nationalism, and in turn breeds it. Its general effect upon a one-nation state may, in that sense at any rate, be unifying. But the effect upon a multinational state cannot be otherwise than disruptive. If modern war requires the nation-in-arms, and the nation-in-arms cannot be without national unity, it means that a multinational state assumes a fatal risk when it undertakes that part. For a state which is nationally or socially divided, safety it seems will lie only in peace; or perhaps, if practicable, in the return to wholly professional armies.

If the minor nationalities in Austria-Hungary apparently accepted the burden of the War at first in the hope that it might lead to a reform of the Empire, that was not unnatural after so long a connection; but soon they accepted it rather in the hope that it might break the Empire. When the Reichsrat was convened again, in the spring of 1917, the solemn declarations of the Czech and Yugoslav leaders showed that little remained of that solidarity which was the marrow in the political backbone of the State. The very quietude of Parliament, formerly so shaken by fierce national contentions, indicated that the nationalities had given up the struggle within the Empire, either because they had come to feel that it was useless or that it was not worth while, and had passed the lead to those who had gone to organize the struggle from outside. When in July, 1918, the German-Austrian parties, including the

Socialists, met and worked out a purely nationalist program, upon a basis of self-determination, it was clear that even they had given up the Austrian idea. And it was characteristic that the Magyars should have been the first actually to denounce the union with Austria, ostensibly on the ground of the Emperor's manifesto, though they had played an influential part in restricting its tenor.

The Manifesto of October 16, 1918, was the last service which the Hapsburgs rendered to their peoples. Formally it merely proclaimed a new constitution, on a federal basis; but its appeal to the various nationalities to co-operate in the reform by each electing a national council of its own, was at that stage in effect a consent given tacitly in advance to their separate organization. It was indeed taken by all in that sense, and its effect was generous and highly beneficial. It legalized the inevitable disintegration and allowed it to be carried through peacefully. The commanders at the front could permit their troops to form into national units and to place themselves at the disposal of the new national authorities; and the civil servants in the national territories could with a free conscience accept the new allegiance, and set to work at once to organize the new national administrations.

Both the virtues and the sins of Hapsburg rule were brought into relief by that peculiar dénouement. The Empire was not broken up by the pressure of external military force; nor, in spite of high feeling and frayed nerves, was it broken up by violent revolution. It simply fell asunder, the ties of tradition which alone still held the parts together having proved too frail to stand the wear and tear of the War. Yet that tradition and the honest work which lay behind it also proved its worth when, after so long a union, the parts could fall asunder and yet start on that very day upon an ordered life of their own. The new Czechoslovak State, for instance, had at its command at once a complete and efficient administrative service, mainly Czech, and a sufficiency of educated people to provide for its needs; that was a credit to the Czechs no doubt, but also a tribute to Austrian rule. The fact that the collapse of imperial rule was not followed, as in Russia, by the collapse of the whole machinery of government, proved that the Empire's house had been solidly built, even if the occupants could not be made to live in harmony together. It was a Rumanian writer who admitted that Austria "had organized and civilized, rather than Germanized, her peoples."

Much positive good had indeed been achieved on a smaller scale by Austrian rule in precisely the kind of task, for which the Austrian temper was so well fitted, that faced the Empire as a whole. In Moravia, in Bucovina, in Dalmatia, a mixed system of administration was on the whole effective in neutralizing national contrasts without crushing them. If, therefore, a simple answer were asked to the question: Why then did the Empire fail? all one could say is that it failed mainly through the misdeeds of its foreign policy, among which must be counted the creation of the dualist system. After that step a normal development was no longer possible, nor, therefore, in the circumstances, a normal policy of peace and good neighborhood.

That the situation which resulted therefrom was at its core abnormal, is shown by the restless scheming of the Central Powers during the War. As if haunted by the ghost of nationalism, the Empire was ever driven to interfere with the neighboring peoples, lest they should interfere with her own. Austria had done it continually, and had tried it again, if more cautiously and unsuccessfully, in the inflammable situation after the Balkan Wars. More bold was the curious idea which, after the Sarajevo murder, the old Emperor put in an autograph letter to the Kaiser—that they should take in hand the organization of a Balkan League; but that “will only be possible if Serbia . . . is eliminated as a political factor in the Balkans.” In other words, a Balkan League under the protectorate of the Central Empires—a blunt anticipation of Naumann’s *Mitteuropa*. The same outlook, born no doubt of the same fears and ambitions, colored their plans for the creation of a new Poland. The one idea they could seemingly not assimilate was that of free co-operation with free neighboring states.

Hence it would be true to say that Austria-Hungary ultimately failed because, with all allowance for changed conditions, she took up the Turkish heritage more realistically than was practicable in the new world. In spite of disastrous rebuffs in Italy, in Germany, and elsewhere, she never learned to settle down and cultivate her own garden. Instead of trusting in the worth of a good policy at home she tried to hold her peoples by a doubtful policy abroad. Where she could not conquer, she adopted the Porte’s traditional policy of dividing; and the terms intended for Rumania and Serbia, had the Central Powers been victorious, though adapted to modern economic needs and methods, were in character not far from the terms which



the Porte used to impose upon her more distant tributary satellites. To complete the picture, it was given to our time to see again in the heart of Europe the spectacle of a nation in flight before an invader. The strange and tragic exodus of the Serbian people, so movingly described by Professor Yovanovitch in a few dramatic pages, cannot be explained by military considerations alone. Rather it was as if the Serbian people had been suddenly afflicted with fearful second sight, and had beheld again in imagination what their forefathers saw and felt whenever the banners with the crescent appeared on the horizon.<sup>4</sup>

Will the future of the Danubian region progress in the sequence of the now fashionable Hegelian dialectics, and pass from the former enforced unity through the present division on to a stage of free association at last? This was not a thing which could have been effectively imposed by the Treaties of Peace. They have been criticized, with some good reason, but they are neither more wicked nor more foolish than other treaties of their kind. Any disappointment is merely the result of false expectations, arising largely out of an habitual misnomer. Treaties which seal the end of a conflict should in truth never be called a peace settlement, but rather war settlements, because their terms always reflect not the good will which may flow from peace but rather the passions which gave rise to war.

In the Danubian region, also, the so-called Treaties of Peace have crystallized the passions which expressed the reaction of the nationalities to Austro-Hungarian policy; a reaction which in its turn shows much similarity with the reaction of the Balkan peoples to Ottoman intrusion. That result is politically and psychologically natural enough. When the French Revolution and its aftermath put an end to the intrusion of autocratic power, the new popular power barricaded itself against the State behind an alert and suspicious *laissez faire*. The national revolution in the Danubian region, having broken the former imperial constraint, has similarly taken refuge behind an alert and suspicious national individualism. To acquire confidence and tolerance, the new states will need a period of national incubation, so to speak.

Improvement may come after a while, but even then it could

<sup>4</sup> The incident was so unique and yet so significant that we are giving, in Appendix I, a translation of the material parts of the story, as told by Professor Yovanovitch in his volume on Serbia in this History.

hardly be expected to rise above the general trend of the time. In fairness to the states who are entering upon their novitiate of independence, we must keep in mind that a new factor, perhaps of decisive influence, has come to reinforce the individualism of the states. The World War has caused them to realize how greatly a country's defense is dependent on its economic resources and stamina. Hence they have forsaken the economic philosophy which through international division of labor had made the wealth of the nations during the nineteenth century; and without regard to economic sense or advantage, but supposedly for the sake of national safety, the industrial countries are striving to develop their agriculture and the agricultural countries to create an industry. The very term now invented to designate that economic policy, "safeguarding," clearly tells the purpose behind it. Mercantilist organization has become a law of war experience—the peace-time counterpart of the war-time military system; the *economic* individualism which feeds that policy will hardly be mitigated as long as international security remains based on *military* individualism.

When this phase is passed, the progress of the Hegelian sequence may get a normal chance at last. Perhaps the integration which the Hapsburgs were unable to impose from above may then grow freely from below, now that the peoples of the region face each other on a more equal footing. In that sense the break-up of the empires may have been an inevitable preliminary, a necessary equalization, a levelling of the ground for new foundations. In that region political and economic division ever was, and remains, as much a challenge for co-operation as an obstacle to it. The region has from ancient times always oscillated between the tendency to divide into local states and an impulse to unite in some common polity.

In that sense there was a core of truth in the saying that if Austria-Hungary had not existed it would have had to be invented. The error of those who used it loosely was to take it in a literal way—as consecrating a particular state or a particular type of state. The truth in it was rather the recognition of a law of nature: of the need for active co-operation among peoples who, geographically and nationally and economically, could not be sifted from one another; of the need, in other words, for a political structure as Austria-Hungary might have been and should have been, not as Austria-Hungary was. Actually, as we have seen, Austria-Hungary rather denied

that political claim of nature; and so her breakdown is itself, in a sense, a vindication of that principle, a confirmation of that organic need.

The resettlement which followed was as drastic as it could well have been. Not a frontier, not a political unit, is now what it was. But that is all merely a change of outward form. In reality (excepting a minor exchange of population), all the stones in the mosaic of the Danubian region, all the elements which have made the panorama of its life, remain virtually untouched. All that has happened is that the problem of getting harmony out of that variety has been split into a number of parts, and that those responsible for the task have been changed. In this new guise the old problem remains; Appendix II contains two opposed samples of how its solution might be attempted. But the one thing that will not avail is to ignore it. The fate of the old and once great Hapsburg Empire is there either as a warning or as a promise, as they may choose, for those who with its possessions have inherited also its problems.



## APPENDIX I

### THE SERBIAN EXODUS<sup>1</sup>

THE most vivid picture left by the War in the memory of the Serbs is not of a cemetery or a blood-stained battlefield, although Serbia had given a formidable number of victims and had been the scene of the fiercest fighting. The most clear-cut impression of the Serbian campaign is the motley, pitiful spectacle of the "*bejaniya*," that endless, disorderly flight of fugitives muffled to the eyes, old men, women, children, on foot or in wooden carts patiently drawn by emaciated and exhausted oxen, driving in front of them some cattle and carrying on their backs or under their arms some chattels, the number and importance of which grew less with every stage of this removal which was always beginning again and never coming to an end. In short, the outstanding event of the Serbian war is not a great battle, such as Verdun, but the Great Retreat, that retreat which led the Serbs into exile through Albania—the last after so many others following on each advance of the enemy.

This flitting began the instant the Austrians first bombarded the town of Belgrade and the terrified villages of the Matchva and on the banks of the Save and the Drina. With every advance of the enemy—especially after the cruel deeds of the Austro-Hungarian soldiers were noised abroad, in August, 1914—the inhabitants of the villages in the regions occupied by troops, whether Serbian or enemy, thronged the miry roads, those famous Serbian roads, unequaled throughout the world for pot-holes and mud, journeying whither they knew not. "You could see two or three rows of these crude, heavy and ramshackle carts, drawn by a pair of oxen or cows, overloaded with goods and bedding, on which sat children looking with tearful eyes on the slowly-moving crowd. Over the sides hung pots and pans, crocks and vessels; fastened by ropes to the back of the cart walked poultry, sheep, heifers. The animals in harness were led by boys of fifteen to eighteen; the old men and women carried foodstuffs and the mothers had infants at the breast. Here a broken-down cart would hold up the whole of this living column, with its long medley of men, baggage, and cattle. After a shorter or longer delay they would go on journeying, day and night, through the autumn rain. Wet and cold nights became more and more common and death began to remove babes, women, and exhausted old

<sup>1</sup> Translated from *Les effets économiques et sociaux de la guerre en Serbie*, by Dragolioub Yovanovitch, pp. 28–38.

people. In the darkness of night soldiers hewed a way through these hapless beings, soldiers of the Serbian army hastening to arrive punctually at the posts allotted to them. Night hid the tears which poured from the eyes of these war-weary, suffering soldiers, passing close to their wives and children without daring to utter a word lest they should let their children know that their father was going away, leaving them to slavery."

. . . . .

But the martyrdom was as yet incomplete. After the retreat through Serbia, every soldier and every refugee, man and woman, on arriving at the frontier of the national territory, had to make his choice: to remain under Austrian and Bulgarian occupation or to risk crossing Albania and Montenegro, to end . . . where? The soldiers were naturally not consulted as to the road they wished to follow, but it has been proved that almost everyone could make a free choice. . . . It was the second half of November. The Serbian army was still in possession of the mountains between the Sitnitsa and the Drim. Preparations were already being made to plunge into Albania. Soldiers and refugees—henceforward a joint band—were preparing for the terrible journey through the wild countries of Albania and Montenegro. On all sides horse carriages and ox-wagons were turned into handcarts, which alone were capable of traversing the tracks and bad Albanian roads. The country round Petch was turned into a huge workshop. Each driver became a blacksmith for good or ill. All the unwanted parts of the carriages were at once put on the fires which were already burning because of the early frosts of the district. The dry wood of the racks and the wheels gave an excellent fire, and the shafts after years of tarring made a dense smoke which rose to heaven in a thin quivering spiral. There were countless numbers of these smoke columns round the wonder-stricken town of Petch. As well as this work of transformation, they also went on to destroy all the artillery and ammunition wagons, except for a few which were to be taken across Mount Jlyeb and Montenegro toward the Adriatic.

All this swarm made its way imperceptibly by the southeast slope of Jlyeb toward its summit. There were numerous roads leading there. Wherever water flowed from the summit to the plain there was a path and a living stream of men and wagons passed along it. No order anywhere: while artillerymen grew hoarse shouting at the countless and overworked horses, certain refugees seated at the side of the road looked on calmly at the hubbub, quietly eating the last remnants of the provisions they had brought from home. From below, in the depths of huge

precipices, arose the intermittent thunder of munitions thrown in the fire. All along the road shells and hand grenades lie on the ground: foot-soldiers pick up the bombs, only to drop them farther on when too tired to carry them.

Often the journey was beautiful, with lovely air and glorious views. Under other conditions this journey would have been unsurpassed for enjoyment. (Many refugees will remember afterward the natural beauties of this district and will feel a desire to return there, but of their own wish and with their knapsacks differently equipped from 1915!) Heavily clad, overburdened with belongings, they all quickly tired climbing the very steep slope: sweat rolled down their faces and bodies. They had to make frequent stops. The clear blue sky urged them on to walk, but the hot sun beating down on them brought fatigue and weariness. While some sat down to rest, others got up to continue their journey; thus it went on for several weeks. Soldiers and refugees were attired alike: many soldiers wore a hat or cap of sheepskin instead of a helmet; in contrast many women had their legs clothed in officers' breeches and on their heads a kepi with a cockade, others even wore jack boots. There a mother bent under the weight of a child on her back walks with difficulty, breaking under fatigue; there another woman, unburdened, well dressed, seated on a mountain pony, which paces slowly snuffling into the neck of its guide, the tender husband walking with sweating face, open mouth, and swollen eyelids. . . . The nearer they got to the summit the nearer the mountain ranges appeared to each other. From the base of the mountain there seemed to be endless ranges, at first countless, then reduced to merely a few. . . . The first terrace was laden with four-wheeled carriages, drawn by oxen. Men had pushed them as far as that by dint of cries, oaths, and curses. Then they waited, for what they knew not. Some had already begun to turn their carriages into carts. . . . Such a huddle of carriages, carts, pack-beasts, soldiers, refugees, made movement slow. They could not stir, forward or backward, out of their rank. One thinks of the procession of the faithful approaching the altar to make their communion. . . . At last they arrived at the spot where met all the roads and paths from the base. Such a huge crowd was gathered there that movement was almost impossible. Each had to wait his turn to pass on. Sometimes they stayed at this spot for ten, fifteen, twenty hours without moving. Shovings, cries, oaths never ceased. On the other side of the ravine they entered a defile which could only be traversed in single file. All the troops of three armies had to go through this narrow passage. At the entrance to the defile leading to Rojay were those in charge of the crossing—mostly commanding officers of divisions or armies. Each officer sought to get his own troops, and even his



baggage-train, through first, from which arose misunderstandings which only hindered the march: no one would budge till the argument was settled. This put in a rage those who had been long waiting. On all sides could be heard insults, cries, deep sighs, lamentations: "Never shall we get away from here!" and "God of our fathers, whither has Thou brought us?"

Weary of waiting, some decided to turn back a little to get some rest apart. They made a way for themselves with difficulty through the crowd which got denser and denser. Night drew on and a thick fog enveloped all. From the base of the mountain to the entrance to the defile the slopes were thinly covered with stunted beeches. Thousands of fires, with which the countryside of Petch would be covered for several weeks, had been brought then on to the huge side of Jlyeb. This ever-barren mountain was now swarming with life. Never had it worn a more solemn appearance. Its usual denizens, the bears and wolves, had retired before these undesirable guests. Before entering the ravine which led to the defile an ox-wagon stood at the head of the stationary file. The beasts stood motionless and looked stolidly at all this crowd of soldiers and refugees. Ill chance had made them, too, leave their dear Matchva and brought them to these rocky and wild mountains. When asked why he did not give his animals any food, the driver replied, "I would give them plenty of food if there was any. I can only give them these beech branches, since there is no more grass. I've been here for some days and have given them all I had in the way of food: I'm stuck here. Luckily there is plenty of water." Everywhere there were fires, which the fog put out a little, and all around huddled soldiers and refugees. Some never ceased telling their story, others remained silent looking at the red flickers of flame. . . . This strange encampment took on a more peculiar aspect by reason of the thin childish voices which could be heard here and there. The cry of "Mother" for a moment stifled one's sorrows and brought back one's thoughts to the peaceful, happy life of the family circle. These voices also awoke in some the remembrance of their own children left behind them, at the mercy of the black unknown. . . . But night went on, the fires became fainter and fainter. Round each fire the weary travelers lay sleeping in the abandonment of relaxed effort. In each group a man watched over the fire. From the side of the defile the noise never ceased; all wanted, if not at once, at all events as soon as possible, to get clear of this spot, especially as the moment for doing so seemed to be farther away instead of nearer. Voices rose from below, from beside the town with its circle of encompassing fires, the voices of those who were hastening to reach the ravine and get nearer the fatal defile: they had continued to march through the night. From

time to time the human voices were drowned by the bellowing of famished oxen and the terrified cries of asses: the relative peace of the night was disturbed by them. Those who for the first time in their lives were sleeping on branches, with a small bag of biscuits for pillow, jump up and make as if to get ready. A moment after they fall back mechanically into the same posture. . . . Vainly did they try to enter the defile, day and night: every slope and terrace stayed filled with men and beasts, from the foot of the mountain to its summit. . . . When at last his turn arrived to move, every man passed the defile at a run. Once across, he made the sign of the Cross, saying, "God be praised, we have gained the threshold of Paradise."

Far from being a paradise, it was only the first stage of a Calvary which was to endure for several weeks. They were still in Serbian territory. Down below in the thick fog, in the midst of a huge plain, curving over the Drim like the hump of a camel, the refugees could see a bridge—a bridge which marked the frontier between Serbia and Albania. "With every fresh step we took we felt ourselves nearer to losing the last corner of our free territory. Like those condemned to death, we first counted the days left us to live free, then the hours, then the minutes. It seemed to me at first that we were marching too slowly in flight before the enemy, then it seemed we ought to hasten, lastly it seemed we were marching too fast. . . . Gently, gently, let us not leave in such haste this last hundred yards of free Serbian land! . . . A little further on, when we are on the banks of the Drim, our blood-stained fatherland will be already behind us, and in front of us will be the distant and unknown paths of sorrow and suffering. . . . This bridge which we are crossing now—would it not be right to call it, too, the Bridge of Sighs?" The poets express what the common man feels but vaguely and cannot express. "By the waters of Albania, by the waters of Death," wrote later M. Jiv. Dévétcherski, "we halted our soldiers. By the waters of the Chkoumba, Séména, Voyoucha, we halted to rest our bones. Alone our bones were left us, our bones, death and honor on the flags of glory. . . . We buried under the willows our blood-stained standards, and we sat sad and miserable, at the time of the zenith without sun, on a day of holy festival without rejoicing. We were laid low on earth, but we wept not at all, we died in silence, as a great mourning is silent—silent like the Great Passion on the Cross at Jerusalem . . ."

## APPENDIX II

### A. AN EXPERIMENT IN NATIONALISM: THE EXCHANGE OF MINORITIES

THE discussion of the Danubian problem, in its historical setting, has shown that whatever else may have affected its course—adverse historical conditions, inadequate statesmanship, outside interference, and so on—at the bottom its complexity was rooted in the intricate admixture of populations. With the rise of the idea of nationality, that factor became decisive in the politics of the region, and seemed to defy all the many reasons which should have made for peaceful living together; a state of affairs which the peace settlement has hardly changed. The fight round the minorities continues unabated. Hence the drastic remedy attempted with the exchange of the Greek and Turkish minorities is worth recording here, as one possible means of taking the sting out of the Balkan and Danubian problems. The statistical aspect lies, of course, outside the scope of this study; its magnitude and progress can be followed in the publications of the League of Nations on this subject.<sup>1</sup> Moreover, even so only one part of the episode can be studied—that concerning the Greek refugees, who were resettled under the supervision of a League Commission. The resettlement of the Turkish refugees was carried out by the Turkish Government with its own resources and under its own control, and no detailed report of the process and of its effects is available. Finally, it will be obvious that much time must pass before it will be possible to draw conclusions as to the effect of the experiment, from the point of view which interests us here, on the political life of the countries concerned and on their mutual relations.<sup>2</sup>

Nationalist passions in Southeastern Europe, for a long time intense, were whipped up to breaking-point by eight years of almost continuous warfare and the irritation of a string of treaties of peace. In addition, a new and virulent element came into play when nationalism spread also

<sup>1</sup> Interesting material on the effect of the exchange on the size and character of the population of Greece is contained also in the contribution of M. A. Pallis to the volume in this History, *Les effets économiques et sociaux de la guerre en Grèce*.

<sup>2</sup> A good description of the whole episode will be found in Charles B. Eddy's *Greece and the Greek Refugees* (London, 1931). The author was chairman of the Greek Refugee Settlement Commission from October, 1926, to December, 1930.



to the Turks. Until then the nationalist movement had been active only among the Christian peoples who had been subjected to Turkish rule. The Young Turk revolution began in 1908 a transformation which was completed by the Kemalist movement at the end of the Great War. Their purpose was to change what had been merely a kind of colonizing and tribute-fed empire into a modern national state. To this they had indeed been pushed by the rapid crumbling away of the European and, later, of the Near Eastern parts of the Empire. The Turks found themselves not only on the defensive, but in danger of utter disruption. Their popular leaders saw that the green flag of the Prophet was no longer sufficient when so many of their adversaries were themselves Mohammedans, and that a national creed alone could provide a new and effective rallying cry. To that end, Mustapha Kemal, with great boldness, went even further than circumstances obliged him and, abandoning the splendid but exposed imperial capital, concentrated the new national forces within the fertile and compact Anatolian peninsula.

This deliberate retreat, which made of Asia Minor the stronghold of the new Turkish nationalism, created more than anything else an impossible situation for the minorities living there. If the purpose which lay behind it was to be accomplished, then the abandonment of outlying expansion led of necessity to the idea of undiluted Turkish possession of Anatolia. Now, whatever the misdeeds of the old Turkish administration, there is no doubt that some of the Powers often used the actual or supposed grievances of the minorities as an excuse for interfering in Turkey to further interests of their own. Their intentions did not appear to have become less acquisitive during the War. Indeed, this last estate of the Turks had already been partitioned on paper among the chief Allied Powers in anticipation of its falling into their hands; and when the War had ceased elsewhere, they had given the Greeks *carte blanche* to march into Anatolia and win for themselves a strong foothold in it. There was in this enough not only to rouse the new Turkish nationalism to fury, but also to instil into it a determination to do away with that which gave an excuse for such outside aggression and interference. The massacre of the Armenians and the sacking of Smyrna showed that the Christian minorities were in danger of being ruthlessly exterminated, unless that grim Turkish purpose could be satisfied in some other way.

It was in such pressing circumstances that the proposal for a compulsory exchange of minorities between Turkey and Greece was suggested and put into effect. The proposal broke with all the accepted principles of international law, as with all the humanitarian traditions of Europe; this was reflected in the curious effort of each of the nego-

tiators concerned—Ismet Pasha for Turkey, M. Venizelos for Greece, and Dr. Nansen as delegate of the League of Nations—to shift responsibility for it upon one of the others, and upon the reluctance of the delegates of the Powers met at Lausanne to approve it. On Sir Horace Rumbold's authority, it would seem that Dr. Nansen was responsible for the suggestion of an exchange of minorities, but that it was the Turkish Government who demanded that the exchange should be compulsory;<sup>3</sup> a description which well conforms to the known attitude of the parties. The consent of Greece, implying as it did the final abandonment of old ambitions in regard to Asia Minor, is explained by the fact that some 800,000 Greeks are estimated to have left after the Smyrna disaster, and only some 150,000 remained to be taken away under the agreement for the exchange of minorities—a remnant which was perhaps saved from extinction by that agreement. For Greece, therefore, it was largely a matter of bowing to an accomplished fact. Greece, moreover, secured under the agreement some means for the partial settlement of the refugees, through the transfer to her of the properties belonging to the Turkish minority to be exchanged. But in any case, the general circumstances make it clear that the arrangement was less in the nature of a peaceful experiment than of a war-time expedient: the evacuation of a population from the danger zone and out of reach of an irate enemy.

Several of the other Treaties of Peace had to deal with the possibility of a migration of population from territories which were transferred to a new allegiance. The usual international practice had been to give to the inhabitants of such territories, as in the Treaty of Saint Germain, a right of option, either (*a*) to remain and abandon the nationality of the country which made the cession, or (*b*) to emigrate and retain such nationality. In either case property rights were to remain unaffected; though some of the post-war land reforms have affected in a peculiar way that provision and have resulted in protracted argument and litigation. No such problems arose under the Greco-Turkish convention; its principle was rather to wipe out utterly the rights of residence, of citizenship, and of property of the minorities which it concerned.

<sup>3</sup> Together with the Treaty of Neuilly a special convention was signed between Bulgaria and Greece providing for the reciprocal but voluntary migration of their respective minorities, the two governments merely undertaking to facilitate their departure. Emigrants could take with them all their movable property; real property was to be liquidated by a Mixed Commission. Some 92,000 Bulgarians and 46,000 Greeks came under this category up to 1929; of these 39,000 Bulgarians and 16,000 Greeks had moved before the Convention became effective.

The Lausanne Convention contained the following main provisions:

Beginning with May 1, 1923, Turkish nationals of the Greek Orthodox religion, settled in Turkey, and Greek nationals of the Moslem religion settled in Greece, were to be compulsorily exchanged. The persons so exchanged were not to return to live in Greece or Turkey without the permission of the respective governments.

The Greek inhabitants of Constantinople and the Moslem inhabitants of Western Thrace were exempted from this arrangement.

Exchanged persons lost the nationality of the country they were leaving and automatically acquired that of the country to which they were changing on arriving there. This provision was to be applicable from the date of the Convention also to the persons who had emigrated before its being signed.

Emigrants were free to take their movable property with them; immovable and movable property left behind was to be liquidated on the basis of various arrangements provided in the Convention.

The textual agreements having been signed and ratified, the work of applying them began, not without good intentions on both sides of seeing it through smoothly and quickly. But the task was truly formidable. The total number of Greek refugees has been put authoritatively at about 1,300,000, that of the Turkish refugees at nearly half a million. Most of them were destitute and helpless when so violently uprooted from their old residence and contacts and occupations. Moreover, dealing with them was a matter not of temporary charity but, in the words of the Geneva Protocol, of "establishment in productive work upon the land or otherwise." It was a matter requiring considerable financial resources and great enterprise; it had to be carried through urgently, for the refugees had arrived in a mass and were a danger to themselves and to the country; and it had to be carried through by a country which itself had been impoverished by long years of warfare. In part, at any rate, the Convention had apparently provided the necessary means, in that the property left behind by the refugees was to be liquidated and the proceeds used by them for settling in their new homes. It was an essential condition of any arrangement for an exchange of populations. But while the human side of the exchange was easily enough carried out, the execution of the plan of liquidation on a large scale broke down in practice. It was a process which, if carried out with any attempt at fairness, was bound to take time and trouble, whereas the success of the resettlement demanded immediate solution. Greece had neither the means herself, nor was in a position, after the Smyrna catastrophe, to obtain the necessary large funds elsewhere on her own surety.

It was in that critical situation that she appealed to the League of



Nations for assistance in solving the problem. The League agreed to assist Greece in raising the necessary loans, but made it a condition that the expenditure of the money thus raised, as well as the administrative work of the actual settlement, should be entrusted to an autonomous body to be known as the Refugee Settlement Commission, acting under the supervision of the League of Nations. The Commission consisted of four members, two of them appointed by the Greek Government and two by the Council, one of the latter, a national of the United States, acting as chairman. The extensive administrative and technical personnel was altogether Greek, with a few temporary exceptions. Under a series of American chairmen (Mr. Henry A. Morgenthau, Mr. Charles P. Howland, and Mr. Charles B. Eddy) the Commission carried on the work until 1930, when it was dissolved. The material success of this experiment in nationalism was, paradoxically, largely made possible by the existence and co-operation of an international body of great authority; and that not merely for the raising of the funds, but still more for putting the work on a detached practical basis. Says Mr. Eddy: "It is at least doubtful whether this establishment would have been possible, except by the machinery actually employed for the purpose. It required an organization vested with great power, and independent of local influences. Greece, with reason, would have refused to entrust the work to a foreign body of any sort whatever, but her susceptibilities were not hurt by entrusting the necessary powers to an international organization, directly supervised by the League of Nations, of which she herself was a member. . . ."

There can be no doubt as to the magnitude of the achievement, for which chief credit must go to the Commission's Greek officials and technicians, who often labored under truly heart-rending difficulties. It is the story of one of the most difficult, and most successfully accomplished, administrative tasks in history. The question which interests us, however, is not whether the wound was skilfully healed, but whether any lasting beneficial purpose was achieved by inflicting it. Generations must pass, perhaps, before the deeper effects of such a violent experiment will reveal themselves. At present one can do no more than remark on certain incidental effects, some of which are fairly obvious.

To begin with the human aspect—if government be the instrument for achieving the good life of the peoples, then clearly nothing can dignify this experiment by the name of an act of government. The suffering involved is beyond description, and beyond condoning; not only the direct physical hardships incidental to the change, but the baffled agony of a multitude of simple, decent toilers, violently and to the minds of most of them wantonly torn from all the roots of the only life which had

reality for them. When I traveled among the settlers as late as 1928, quite a number were still hoping that the Turks would let them go back; a few of the wilder spirits hoped that the Greeks might reconquer part of Anatolia; and more than one of the older folk plaintively insisted that they didn't want to be buried there, but wanted "to be taken home."

A second aspect, the economic, may in time offer a more satisfactory balance-sheet than it can do now. It is clear that this wholesale and sudden transfer has meant an enormous economic dislocation and loss—loss of established economic activities and the cost of creating new ones. Possibly the new activities may after a time make good the loss, and in that respect Greece is likely to benefit more than Turkey. The colonization of the waste lands of Macedonia and Western Thrace will add substantially to the nation's resources; and many of the refugees were skilled artisans—especially the carpet weavers, who have created in Greece a new industry which in Anatolia is now well-nigh extinct.

More difficult it is to estimate the third aspect, the political. As regards internal politics, it was but natural that these discontented *déracinés* should prove rather a restless factor, easily swayed by more extreme demagogic appeals. But that should be only a temporary phase. On the other hand, the habit which in Turkey they had of necessity of administering democratically their own communal affairs, was reinforced by the necessity of working together to the creation of their new communities. There is no doubt that the rural settlers in Macedonia and Thrace are contributing a progressive current to Greek politics; the urban settlers who have gone to swell enormously the suburban population of Athens and the Piraeus have, however, enlarged a somewhat impulsive town proletariat.

There remains the, for us, primordial effect on international relations, and the question whether this experiment supplies an effective, if harsh, means for dealing with the problem of minorities. Here we may quote the conclusion of Mr. Charles Eddy: "Theoretically the Convention of Lausanne was drawn up with scrupulous regard for the rights of exchangeables, but practically the rights so granted were of no real value. No convention of the sort could be put into practice in a satisfactory manner unless, coincident with the departure of an emigrant, he received the value of the property abandoned by him. In order that this should be possible, the two contracting countries must be at peace, and no pressure to bring about an exchange must exist. In other words, the scheme could work only at a time when it is improbable that anyone would think of putting it into practice. . . . No exchange of populations, whether voluntary or compulsory, and no arrangement for recip-

rocal emigration, can ever be justified as a satisfactory method of solving a minority problem in time of peace."

## B. AN EXPERIMENT IN INTERNATIONAL GOVERNMENT: THE INTER-ALLIED RÉGIME IN THRACE

The problems touched upon in the preceding pages—that of the government of mixed populations, the question of sea outlets, to which is added that of closing to ambitious policies the approach to Constantinople and the Straits (which led the Powers to restore southern Bessarabia to Rumania in 1856, and to hand over to her the maritime province of Dobrogea in 1878)—all these factors give weight to an experiment in international government which, though recent, is well-nigh forgotten. It was as brief as it was successful; as welcomed by the local population as ignored by the Western statesmen. On both counts the experiment thus forms a lasting commentary on the plea that the peace settlement was based on the wishes and needs of the peoples concerned; and on the popular idea that the Balkan peoples had only to wish it and they would live in peace.

The material success of that brief experiment was the more remarkable as it was made suddenly, without any preparation of conditions and personnel, and that in a province which had a long history of neglect with a short climax of unstable change. Its frontiers and administration had altered several times within a space of six years before the inter-Allied régime was installed. Western Thrace was acquired by Bulgaria under the Treaty of London of 1913, which put an end to the first Balkan War. It was to include all the territory west of the Enos-Midia line up to the new Greek frontier. As a result of the second Balkan War the Turks recovered part of the province, Bulgaria retaining the territory bounded by the Maritza in the west, the Rhodope Mountains in the north, and in the east by the new Greco-Bulgarian frontier running from the Belassitza crest along the Mesta to the open sea. Two years later, in September, 1915, at the time of Bulgaria's entry into the War, the Turks ceded to her again a strip with some of the frontier towns, and running about two kilometers eastward of the Maritza. Under Article 48 of the Treaty of Neuilly, Bulgaria lost Western Thrace once more. This was apparently a punitive decision, as the province was not at that moment destined to any other particular country. Bulgaria was made simply to renounce all her rights to the Allies collectively, and to undertake to recognize whatever they might decide as to the future of



the province. The thoroughness with which the inter-Allied régime went to work and the extensive use it made of Bulgarian officials suggests that the fate of the province was in fact not yet decided. But the San Remo agreement, confirmed in the Treaty of Sèvres, handed Western Thrace over to Greece.

In the space of time which intervened between the two Treaties, Western Thrace was the object of the noteworthy experiment here described. As soon as the conditions of peace were handed to the Bulgarian delegates at Neuilly, the Bulgarian army evacuated the province. The Supreme Council then authorized the Allied General commanding the Eastern forces, General Franchet d'Espèray, to set up in Western Thrace an inter-Allied administration. It began to function in the middle of October, 1919, with General Charpy provisionally in charge as Governor of the province, and came to a close at the end of May, 1920. The province was occupied by French troops, with the addition of an Italian company quartered at Féré, to mark the inter-Allied character of the occupation. The province was administered during that period by French officers, working mainly with Bulgarian officials and largely on the basis of Bulgarian laws adapted to the special régime.

The frequent changes in the allegiance of the province had caused the distribution of the nationalities to vary as frequently during that period. Many Turks no doubt left the province during the Balkan Wars; and both Turks and Greeks must have diminished in number when the province was acquired by Bulgaria. During the inter-Allied régime the authorities offered special facilities, and the Greek Government made great efforts, for the return of the Greek refugees. On the other hand, many Bulgarians also left in the interval between the Armistice and the establishment of the inter-Allied régime. The official census taken on March 30, 1920, gave the following results:

Turks	73,220
Bulgarians	69,154
Greeks	51,706
Pomaks	11,739
Jews	3,000
Armenians	1,969
Gypsies	1,834
<hr/>	
Total	212,622

The Bulgarian figures dating from December, 1914, put the total population at over 400,000. Whatever the validity of these figures, there would seem to be no doubt that the establishment of the inter-

Allied régime checked emigration and encouraged the return of many who had left during the former unsettled years, and that very soon the inhabitants accepted and even welcomed the new régime. Under the influence of events in Turkey an attempt was made by Turkish nationalists in Thrace to instigate a local rising. But the incidents connected with the so-called "Republic of Gumuljina" were quickly suppressed and apparently as quickly forgotten. At any rate, the incidents which marked the setting up of the Administrative Council showed that the great majority of the inhabitants, consisting of Turks and Bulgars, looked upon the international régime as an omen of peace and prosperity.

*Constitution of the Régime.*

The main lines of the Constitution of the inter-Allied régime were promulgated through the decree issued by the Governor on October 28, 1919. It made of Thrace a small autonomous province with a government of its own, acting on behalf of and under the protection of the Allied Powers. Executive power was vested in the Governor General, who was to have absolute command of the troops and control of the administration. The province was divided into three counties, each under the control of the local military commander; and this arrangement applied also to the districts. But already at that stage a beginning was made with a demilitarization of local government. As soon as the necessary services were to have begun work, the district commander was to keep merely a watching eye on the working of the administration. In the communes, mayors and municipal councils were allowed to continue as before, without any direct military supervision. The central government consisted of (1) the Central Bureau, political and administrative, with a wholly military personnel; (2) the Superior Administrative Council with its permanent Commission; and (3) the Directorates of the several public services.

The Political Administrative Bureau was attached to the Governor General's staff, and performed in all civil matters the same functions as the general staff did for all military matters. It also exercised a general control over the specialized departments. The latter consisted of a Directorate for each of the chief public services—such as Finance, Public Works, Post and Telegraphs, Economic Affairs, Public Health, Justice and Police. The representative element was embodied in the Superior Administrative Council for Thrace. The Council was attached to the Governor General and consisted of fifteen members chosen by him from

among notables in the following proportion: 6 Greeks, 5 Turks, 2 Bulgarians, 1 Jew and 1 Armenian. It was foreseen that after the return of the refugees, when the population were to have acquired a certain stability, the Superior Council should be elected on conditions insuring the proportional representation of the several nationalities and creeds. The Council elected from among its members a President and three delegates who formed a Permanent Commission, in continuous and direct contact with the Political Bureau and the several Directors. The Superior Council was an advisory organ. It had as its function to study those questions of general interest, political and economic, which were submitted to it by the Governor for an opinion. None of the usual fields of government were closed to it. On the initiative of a majority the Council could submit to the Governor "wishes" concerning reforms or changes in the administrative, economic, or judicial organs; or economic and cultural measures of a national interest within or outside the territory of the province. If the Governor approved the suggestion, it was then submitted for detailed study to the Superior Council, on the one side, and on the other to the Political Bureau and the departments concerned.

Two subsequent decrees laid down the Organization of Justice. The Courts, which were to give sentence in the name of the Allied Powers, consisted of the existing special religious tribunals which retained their composition and functions; of a Justice of the Peace in each district; and of a Central Tribunal at Gumuljina. This Tribunal consisted of a President and two Assessors of different nationality. The Public Prosecutor was to be, if possible, a magistrate, or an officer of French nationality. One may add here the Arbitration Commissions, with temporary existence and functions, which were set up at the end of November to settle disputes concerning real estate in each district. These Commissions with mixed judicial and administrative functions consisted each of three French officers and of delegates, with consultative voice, of the communes concerned. Within a month the Commissions had succeeded in settling the issues submitted to them and of restoring the former Greek refugees into their properties. Most of their decisions were of necessity given against Bulgarian nationals; it is all the more worth noting the tribute which the Bulgarian historian of the episode pays to their impartiality.

The police had an especially difficult task in a country distracted by national feuds, and accustomed to being ruled abusively and fending off abuse by bribery. For these reasons, no doubt, the new government organized a completely new police force without any relation to the pre-



ceding system. To avoid as far as possible the intrusion of outside political interests, it was decreed that the members of the new force had to be natives of Thrace, and they were chosen carefully from candidates who had a certain degree of education and enjoyed a good reputation. In the second place, each district was given control of the local gendarmerie, which probably made it possible to approximate the composition of the force to the national character of the population. A special school for noncommissioned officers was established at Gumuljina in charge of officers and noncommissioned officers of the French gendarmerie. The new force were well paid, well dressed, and well trained, and these unaccustomed attributes apparently succeeded in turning headstrong Balkan men within a few months into exemplary guardians of law and order.

Among the other fundamental decrees of the inter-Allied régime one that stands out is that relating to cultural rights—a question which had been and still is the main source of friction in Southeastern Europe. The decree, dated November 26, 1919, had the following tenor:

The exercise of every creed is free over the whole territory of inter-Allied Thrace (Article 1).

The different religious communities have complete freedom to set up schools on a simple declaration to the district administrator (Article 2).

Each community will have to provide all the expenses of their churches and schools (Article 4).

The government will not intervene, except to safeguard public order, morals, and hygiene (Article 5).

In that way all the churches and creeds were placed on the same footing and completely separated from the political government. As in that part of Europe education could not be separated from religion, the same solution had to be applied also to the schools. This did not involve any fresh hardships for the population, as the maintenance of schools had by long tradition been a charge upon the several religious groups. Nor did it necessarily involve the neglect of education, as those groups had always shown a tendency to win through the schools a greater influence in the country. In March a census of schools and pupils was taken, and on its basis the government granted a subsidy of 10 levas for each pupil. It was a small amount, but it was meant to show the interest of the government in education and in all the schools, whatever their creed. At the same time, the government was planning to open in the following school year a State Secondary School, in which tuition was to be in French and the pupils gathered from the several nationalities, on the basis of scholarships granted by the respective groups.

*The Economic Results of the Régime.*

The spirit in which the inter-Allied government went to work was perhaps to be expected from an authority which was detached from local national animosities. It was less to be expected that an experiment in government undertaken without preparation, in a region which had been disorganized by recent changes of allegiance and after long warring, should prove also an economic success. From the beginning the inter-Allied government in Thrace showed how even in the Balkans a progressive administration could be made self-supporting. Nor was it done by making the burdens that pressed on the population heavier. On the contrary, the new government granted considerable relief to the liberal professions by dividing them into groups for purposes of taxation and introducing a sliding scale in the taxes imposed upon them. The most important tax was that on land. Under the old system it was raised in the form of a tithe and amounted to 13 per cent of the gross produce, which meant about 55 per cent of the net profit. The new administration first undertook to classify the land according to its average productivity; on that basis a tax was imposed on net revenue, which was to be revised every six years. Nevertheless the estimated revenue from direct taxes was put at 8,000,000 levas for the first year, whereas the former Bulgarian régime had raised during 1918 only 1,500,000 levas. Additional revenue was secured by introducing within a month a tobacco monopoly, which was followed by a salt monopoly, to which was to be added a monopoly on petrol. A special law laid down the basis of these public monopolies. They proved from the outset a very prolific source of revenue.

Another source was the exploitation of public domains. The new administration found that the existing laws concerning public property of all kinds were quite satisfactory, but their application must have been deficient, as much land, mills, etc., had been allowed to remain derelict. The authorities went quickly to work to make the most of these possessions, and arranged to put every service or property to public auction. The presence on the auction committee of delegates from the several nationalities put a stop to the habitual backstairs interventions. On the other hand, the Exchequer skilfully put to profit the prevailing national jealousies. Not only did this prevent any compact among the bidders, but each group was tempted to go as high as possible, lest the verdict should go to another nationality. Even the monks of Mount Athos were caught in that auction fever. When the fishing of a certain lake was put to auction, the monks of the Votopede Monastery lodged a protest, maintaining that an old Turkish *firman* had granted them rights of property over that lake in perpetuity. But to make sure of the fish they,

too, put in a bid, and even added that if any of the other competitors were to go higher they would raise their own offer by 5 per cent.

During a period of three years, from 1916 to 1918, the Bulgarian State had received from its domains in Thrace a total of 840,000 levas. The same property brought in under the new administration 1,173,000 levas within four months—a substantial amount, even taking into account the fall in the value of the currency. Similarly, the revenue from customs during those four months was four times higher than during those three years; it is true that the latter had been war years, but better control played its part in the change, after a period when contraband had been the normal traffic across the frontier. The skilful opportunism of the Exchequer was shown also in the use it made of postage stamps as a source of revenue. The new administration used Bulgarian stamps with the French imprint "Thrace Interalliée." As soon as the stamps were issued collectors fell upon them with such greed that the post offices went short of stamps. Thereafter the government saw to it that larger quantities were printed, and it also varied the series, so as to pander to the profitable foibles of the collectors.

The total budget of the inter-Allied government in Thrace reached nearly 53,000,000 levas, with an expectation of 80,000,000 levas for the whole year. The main items on the expenditure side were 10,500,000 levas for public works, 9,500,000 levas for the financial directorate, over 5,000,000 levas for posts and telegraphs, etc. The Central Administration required 3,300,000 levas, and 6,500,000 levas were spent on the police force.

The new government did not lose time in working out an active economic policy. When it first took over the province it began by abolishing the restrictive measures introduced during the War. The sudden transition from extensive control to complete freedom of trade proved, however, premature. Economic life had not yet become normal and the consequence was that prices rose abruptly. Hence the government found itself obliged to intervene afresh in economic activities for the purpose, first, of insuring the needs of the population through a regular distribution of necessaries and, secondly, of stimulating the production of those necessaries. To that end it set up a Central Economic Committee with branches in the several districts, whose function it was to study on the spot the economic problems of the moment, and also to apply the measures adopted by the Central Committee. In addition to the representatives of the various departments concerned, both the Central and the District Committees included representatives of the four major nationalities inhabiting the country.

In view of the fact that the agrarian countries of Southeastern Eu-



rope are only now considering means for making available cheap sources of credit for agriculture, it is interesting to note that the government of Thrace, after only a few months of existence, had ready a project for an agrarian bank. National jealousies were to be not only circumvented but actually harnessed to help in the creation of the new bank. The project contemplated, namely, that the major part of the capital should be contributed by the neighboring countries—Bulgaria, Greece, and Turkey—through their national banks, as being interested in the well-being of their kindred in Thrace. In return the governments of those three countries were to have, like the government of Thrace, delegates on the board of directors of the new bank.

It is not possible here to discuss in greater detail the actions and projects of the government of Thrace. Suffice it to mention that it went energetically to work to restore the badly neglected means of communication; and that it had an ambitious plan, with which a beginning was made at once, for the reafforestation of the sides of the Rhodope Mountains. In the same way steps were taken at once to fight the ravages of malaria, both through medical means and through the regulation of the water courses. Finally, the Directorate of Public Works found time during that short and busy period even to take an interest in archeological matters. Preliminary excavations brought to light interesting Roman remains; and the administration provided the means necessary for the reconstruction of Trajan's baths (Ladja-Keuy), the medical virtues of which were famed throughout the Peninsula.

#### *The Political Effects of the Régime.*

The political archives of the inter-Allied Government indicate that at first its activities were looked upon by the inhabitants, if not with suspicion, at any rate with indifference. They had seen so many masters claim possession of the country and then ignore its needs, that they could hardly expect better results from a passing government composed of temporary soldiers. For that very reason it is not to be wondered at that these much-tried populations were quickly conquered by the practical results of the new administration, and no less by the tolerant impartiality of those in charge of it. The Governor and his subordinates not only allowed each creed and nationality to live according to its own customs, but were seemingly at pains themselves to respect those customs at every opportunity. Thus at the laying of the foundation stone for the new bridge at Gumuljina the Governor saw to it that the traditional ceremonial was observed in full. A ram was killed and its head placed in the foundation stone; and when the work was finished the

bridge was opened with another ceremony, which included the traditional blessing of the water.

Of the three major nationalities, the attitude of the Greeks toward the international administration was somewhat doubtful; though it is equally doubtful whether that expressed the real sentiment of the inhabitants or whether it was instigated from outside. The Turkish and Bulgarian populations wholeheartedly accepted the new régime. On the occasion of the formal opening of the session of the Superior Council, the Turkish and Bulgarian delegates presented to the Governor a petition in which they expressed their recognition of the great merits of the inter-Allied administration and the wish that it should continue; adding merely the request that the nominated Council should be replaced as soon as feasible by an elected assembly. That declaration of faith was repeated by the Turkish and Bulgarian delegates at the banquet which marked the end of the session.

It is curious to find that General Charpy responded to those wishes by drinking to a free and independent Thrace. That this was not merely a vague sentiment is proved by the fact that in January and February of 1920 the Governor and his fellow workers were convinced that the autonomous régime would be maintained, and apparently even expected that it would be extended to Eastern Thrace. On the eve of the San Remo Conference orders were given to hold in readiness sufficient railway wagons to transport the Governor and the whole central administration to Adrianople, which was to be the residence of the extended autonomous government of Thrace. The head of the Department of Finance had in fact been instructed to visit Adrianople incognito, in order to select the buildings that would best be suited to receive the various departments. About the same time the Governor was pressing his subordinates to make haste with the preparation of the budget for Western Thrace, so that they should be able thereafter to devote all their energy to the financial organization of Eastern Thrace. For reasons whose discussion does not belong here, these expectations of the Allied representatives and the wishes of the majority of the inhabitants were cut short at the San Remo Conference. There it was suddenly decided to hand over the province to Greece, and the inter-Allied régime in Thrace was at once disbanded. The arrangement was formally confirmed in the special Treaty signed at Sèvres between the Allied Powers and Greece on August 10, 1920.

But though cut short so quickly, the episode had been revealing—like the ray which passes through a momentary rift in the clouds and in those few seconds sets out sharply the true lie of the land. Too often it has been said, and all too easily believed, that the antagonism between

the Balkan nationalities is so deep that they must be segregated; and on the other hand, that the poverty of their countries is the consequence of foreign exploitation. The remarkable experiment with the inter-Allied administration in Western Thrace has proved that the mixed populations of that region can settle down together to a life of mutual toleration, and even co-operation, if it be insulated against the nationalist incitements of political conflicts. And it has also proved that even in a poor province the people can be given the advantage of a civilized material life, if their labor and resources be not absorbed in an extravagant political and military superstructure of the State.





## INDEX

- Absenteeism, industrial, in Austro-Hungarian economic life, 193.
- Adler, Victor, on universal franchise, 35.
- Adrianople, peace of, 52.
- Aerenthal, Count, on annexation of Bosnia-Herzegovina, 1908, 233.
- Agadir crisis, 60.
- Agrarian classes, unrest, 32; attitude to customs union, 29; not ripe for economic exchange, 39; exploitation of, 194.
- Agrarian countries, Austria nearest supplier to vast region on east and south-east, 42; classed by Western economists as backward, stimulated to self-sufficiency, 199.
- Agrarian policy, Hungary's demand for agricultural monopoly, 42; reaction of agrarian countries, 45; Austria's retrograde, 193.
- Agrarian reform, 28.
- Agriculture, antagonism between industry and, 29; Rumanian war-time concentration, 141; harvest in second phase of war economy, 159; effect of war exhaustion, 166; readjustment at end of war, 170; disturbance due to new frontiers, 173-176; problems due to exchange of minorities, 174.
- Albania, creation of state to check Serbia's outlet to Adriatic, 47; Serbian flight to, 244.
- Allied debts, cause of friction and bitterness, 222.
- Allied Military Commission, policy on surrender of Bulgarian "war material," 166.
- Allied Shipping Control, 209, 222.
- Allies, attempt to open way to Russia, 131; propaganda among minorities, 235.
- Altruistic Bank, Hungary, 40.
- Anatolia, proposed partition, 192, 249, 253.
- Andrássy, on the Rumanian alliance, 47.
- Antipa, Dr., *L'Occupation ennemie de la Roumanie et ses conséquences économiques et sociales*, 139, 140, 141, 146, 148, 151, 152, 164.
- Apponyi, Count, 50; on the twenty-year extension of the *Ausgleich*, 216.
- Armies, national, establishment in the 19th century, 58.
- Army, Austrian: under dualism, 49, 50; needs, and temporary industrial recovery, 158; shortage of food, 161, 185; wastage of food supplies, 163.
- Ausgleich*, 1867: 19, 20; customs union maintained, 29; minorities law, 227-231; economic provisions undermining dualistic system, 30; "Statement of Means of Pressure that Could Be Used against Hungary," 30; 1907 agreement, 30; effect of the war on economic unity, 127; army contracts, 128; discussions for renewal 1916, 215; prolongation, 215-216.
- Austria, Austria-Hungary: Turkish heritage, 3, 20; opposed Turks from 1672, 8; growth of industry, 13; character of Hapsburg Empire, 14; effect of river basins on parts of, 14; "communication unit," 15; Eastern march of German Empire, 16; multi-national state, 17; demand for a constitution, 18; "March Constitution," 18; German ambition and dualism, 19; policy of expansion in the Balkans, 20, 46; approach to Turkish form of government, 21; nationality problem, 21; shifting foreign policy, 22, 46; policy of customs frontiers, 23; reforms, 23, 33; tariffs, 23; economic policy after French Revolution, 24; attitude toward German Customs Union, 25; revolution of 1848, 25, 29; economic progress after military defeat 1866, 26; rise of nationalism, 27; rise of nationalities and economic policy after 1870, 28; customs union established to counteract separatist movement, 29; ministerial crisis 1906, 30; boycott by Hungary, 30, 40; lack of interest in political and social democracy, 34, 35; use of threats in military and other issues, 35; universal suffrage, 35; Socialists, 37, 73; increasingly aggressive policy, 37, 42; policy at outbreak of war, 38, 207; economic position after 1907, 39; economic division on eve of War, 40; economic policy, 40, 214; tariff war with Serbia and Rumania, 43; Industrial Revolution a dissolvent, 44; intervention between

- Serbia and Bulgaria, 47; defeats of 1859 and 1866, 49; dissolution a long historical process, 49; ambition to Ottoman succession, 52; legislation for possible war, 60; suppression of ordinary courts to prevent disaffection of nationalities, 65; Parliament prorogued, 66; dictatorship clause of Constitution, 67; methodical campaign of Supreme Military Command against government, 70; bureaucratic system, response to economic effort, 88; economic unity submerged by war, 127, 128; separate economic policy for Hungary after January 1915, 129; growing constitutional disruption, 130; war destruction, 156; peace overtures, 160; collapse of the Monarchy, 161, 162; national income, 167; social and national revolution, 170; new frontiers, interference with industries, 172; post-war foreign trade, 173; collapse of currency, 178; economic restrictions of Peace Treaty, 190; protectionism, 193; union with Germany prohibited, 206; demand of Germanic group for "reorganization after the War," 231; German preponderance entrenched by war emergency, 234; a perfect case for studying effects of modern war on a political community, 236; *see also* Dualism; Danube River; War Government; Turkey.
- Autarchy, 205.
- Authoritarian government, collapse of, 75; effect of war on, 237.
- Badeni Cabinet, 229.
- Balkans: geography and politics, 5-8; early Turkish authority welcomed, 10, 52; domestic industry under the Turks, 13; communications deteriorated, 13-14; revolutions 1908-1912, 35; Wars, 37, 47, 53, 62, 81, 151, 175, 229, 254, no economic co-operation between allies in 1912-1913, 207, unexpected triumph in 1912, influence on nationalist currents, 230; economic dependence on Empire, 42; Austrian policy, 46; peace settlement, 181; movement of minorities, 174; railways, 178; attitude toward economic plans of Central Powers, 221.
- Balkan League, 1912, no economic arrangements, 207; Francis Joseph's suggestion of a, 1914, 239.
- Banat, the, 13, 23; lost to Hungary, 175, 176.
- Banks, attempt to nationalize, 202.
- Bauer, Otto, 33, 38.
- Bavaria, 44.
- Beet-sugar factories, 182.
- Belgium, trade competition, 39; occupied territory, 138; corn import, 175.
- Belgrade, bombardment, 243.
- Beneš, M. Eduard, on the dissolution of Austria-Hungary, 229.
- Berlin-Bagdad railway, 7, 218, 219.
- Bessarabia, cut off by war settlement from former markets, 175, 198; taken from Russia by Western Powers and restored to Rumania, 1856, 204, 254.
- Beust, 20.
- Bismarck, on the dissolution of the Ottoman Empire, 20; anti-socialist law, 34; shrewd use of universal suffrage, 35.
- Blockade, effect on currency, 159; closer blockade March 1915, 160.
- Bohemia, 5, 14; union with Austria-Hungary due to Turkish danger, 16; basis of economic policy, 22; tariff of 1753, 23; internal reforms, 33; demand by military for jurisdiction, 65, 70; separatist feeling fed by hunger, 126; new frontiers and effect on railway communication, 179.
- Bolfras, Baron, "military high command now exclusive government . . .," 234.
- Bosnia-Herzegovina, province with colonial character, 15; Linzer program, 32; nationalism aroused as matter of policy, 48; railways, 178, 179; a protection to Dalmatia, 180; Austrian-German attitude to occupation, 229; Count Aehrenthal on the annexation of, 233.
- Bosphorus, 13.
- Bowley, Professor Arthur, *Some Economic Effects of the War*, 155, 169, 171.
- Boycotts, mutual, by Austro-Hungarian nationalities, 40, 192.
- Brătianu, M. Vintilă, Balkan economic formula, 195.
- Bratislava, development as a Danubian center, 177.
- Brest-Litovsk, negotiations at: strike by Austrian and Hungarian workers as a protest, 74; scheme for post-war economic co-operation, 213.
- Brussels Sugar Convention 1902, 29-30.
- Bucarest, occupied, 142; peace negotiations, 149, 213.



- Bucovina, 14, 32, 69, 231, 239.
- Budapest, harsh economic methods, 45, 46; commercial location affected by peace settlement, 177; railways under Monarchy, 179.
- Bulgaria: under Turkey, 11, 12; bad harvest 1916, 74; exploitation of food supplies by her Allies, 85, 86, 124, 210; official control of supplies, 87, 210; regulation of food prices, 113; food control shifts between civilian and military, 113, 210; war destruction, 156; surrender of material under armistice, 166; bad harvests due to war exhaustion, 166; roads, loans, 167; exchange of minorities, 174, convention with Greece on exchange of minorities, 250; loss in Balkan War of land and cereal crops, 175; acquisition and loss of Thrace, 175, 254; tobacco, 175; need for sea outlet, 180, 181; commercial agreements forbidden 1920-1925, public assets attached, 190; "protected industries" 1912-1918, 195; number of industrial undertakings 1911-1927, 195; cotton imports, 196; coal-mining, 196; law for improvement of national industry, 196; volume and value of exports 1930-1931, 199; bridge over the Danube, 203; suggested economic co-operation after the war, 213, 219; Berlin-Bagdad railway, 218, 219; first loan on German market, 219; exploitation of coal-mine, 220; construction and materials contracts, 220.
- Bulgarian Catholics, trade organization 18th century, 13.
- Bulgarian Economic Society, investigation of the *Mittleuropa* plan, 219.
- Byzantine Empire, invitation to, and overthrow by, the Turks, 10-11.
- Canalization, *see* Danube River.
- Cantemir, Demetrius, Prince of Moldavia, 10.
- Capital, maldistribution of fixed, post-war years, 171; obstruction to flow, 202.
- Capital resources drawn upon, 159, 167.
- Capitalist enterprise, a neglected agent in unifying Hapsburg Monarchy, 34.
- Carinthia, 69.
- Carol, Prince, of Rumania, on Danube traffic and Austria, 44; alliance with Austria-Hungary, 46, 47.
- Catholicism, appeal to Fourth Estate through, 33.
- Censorship, 63, 68.
- Central Commission to examine prices, 109.
- Central Commission for War and Transition Economics 1917, unified official policy and action, 97, 119; membership, 98; ("Austrian Wartime Organization") defects, 133; office for the granting of import, export and transit permissions, 189; *see also* Riedl.
- Central Powers: political temper of the masses during the War, 74; arrangement with Germany for raw materials, 92, 119; isolation and rapid exhaustion of supplies, 107, 157, 169; effort for economic contacts by way of Serbia to Turkey, Rumania and Ukraine, 131, 138; hardening of the system of obtaining supplies in Rumania, 144; negotiations for separate peace with Rumania, 149; evacuation of territories and abandonment of stocks due to collapse, 165; military collapse a hindrance to economic reconstruction, 170; trade war by Allies, 186, 212; currency exchange, effect of isolation, 187; absence of preliminary arrangements for co-operation, 207; war-time economic co-operation in inverse relation to individual needs, 209; monopoly of transport on the Danube, 210; closer co-operation checked by fear of post-war domination, 211; suggestion of a post-war economic union, 217-221; injection of Bolshevik virus into Russian Revolution, 235.
- "Centrals" for the control of raw materials and food stuffs, 92, 94; industrial participation, 93; food and fodder, 94, 185; war or industrial unions, 98; difficulties due to private capital and public functions, 116, 117; method of dealing with surplus, 118; Hungary, action regarding decree for requisition of metals, 129; luxury imports, transactions in foreign bills, 188; *see also* Corn; Cotton; Fats; Metals; Wool.
- Cernavoda-Constantza line, 220.
- Chambers of Commerce and Labor, 98, 106, 197.
- Charles VI, 1711-1740, maintenance and consolidation of the State, 22.
- Charles I, 1916-1918, curtailment of influence of military, 74; Manifesto of October 16, 1918, 238.
- Charpy, General, 255.

## 268 EFFECT OF WAR IN SOUTHEASTERN EUROPE

- Chemical industry, War Committee in Austria, 94.
- Chéradame, M., on Austro-Hungarian Dualism, 19.
- Christian churches, greater authority under Turkish jurisdiction, 12.
- Civic spirit of populations at outbreak of war, 75.
- Civilian v. Military, 69-72, 83, 90; divided authority, 103; competition for power, 104.
- Civilian authorities: peacetime preparation for war, 58; willing surrender of executive powers to military element in time of war, 61, 76; competency questioned by military element, 69; attempt to mitigate harshness of military demands, 69; criticism by military, 70, 233; tendency to resume control, 73; attempt to restore order in production and distribution confused by military demands, 90; gradual lessening of military interference and rehabilitation under, 105, 135; shift in Bulgaria between military and civilian control, 113, 210.
- Clemenceau, the critic and the man of action, 76.
- Coal, shortage, 85, 160, 161; supply promised Austria by Peace Treaty, 173.
- Commercial Committee, with a chain of specialized sub-committees for the several trades, 98.
- Commission for War and Transition Economies, *see* Central Commission for War and Transition Economies.
- Committee for the co-operatives of distribution, 98.
- Communications, improved, under Dualism, 26; effect on military action, 62; War Supervision Office, 68; disturbed as result of new frontiers, 178-183; *see also* Railroads.
- Concessions, *see* Monopolistic Concessions.
- Congress of Vienna, 17.
- Constantinople, 5, 12, 13, 72, 172, 254.
- Constantza, 220.
- Constitution: two types of franchise under Austro-Hungarian, 34; provision for the extension of executive power in war-time, 59; a new constitution, on a federal basis, offered by Hapsburg Manifesto of 1918, 238.
- Constitutional government, neutralized in time of war, 62; return to, in Austria-Hungary, 74.
- Contraband trade, 123, 148; organization by official agencies, 124.
- Contracts, long-term industrial and commercial, affected by disturbed currency, 200, 202.
- Control, conditions of successful public, 113-117.
- Corn, Turkish monopoly of Rumanian, 13; Austro-Hungarian imports, 102, 128; export after occupation of Rumania, 142; shortage, 160; Bulgarian crop, 166; Corn Central in Austria-Hungary, 185, 186; Russian, 1913, 204.
- Cotton, military interference and waste, 84, 104; Cotton Central, 115, 116, 119; compulsory surrender, 115-116; relaxed control, 123; shortage after 1915, 159, 160; post-war Austrian industry, 182.
- Credits, private, to industries, from industrial countries, 203.
- Crimean War, 43.
- Croatia, 30, 198; pragmatic sanction, 16; customs frontiers, 23; timber, 129.
- Cultural autonomy, Austrian Socialists' program for, 37.
- Cultural societies, organized on nationalist lines, 36.
- Currency: depreciation, 111, 167; control of foreign, and bills of exchange, 102; paper, for use by Germans in Rumania, 142; separation after Peace Treaties, disturbing effects, 173; loss of value by Austrian, 186, 187; export of currency or transfer abroad by permission, 188; economic obstruction for the protection of currency, 189, 201; *see also* Exchange.
- Customs, lines under Austro-Hungarian union, 22; efforts toward unity, 38, 200; Greco-Bulgarian frontier 1924, 172; post-war, 202.
- Customs union, demanded by Hungary, 29; growing discontent against, 40; cartels within the union, 193; *see also* *Ausgleich*.
- Customs union, Serbian-Bulgarian, 1905, 47.
- Czechoslovakia: an "associated land" in Hapsburg Empire, 15; war destruction, 156, 166; war exhaustion, 166; textile industry, 172; obligation to supply coal, 173; destination of manufactured goods, 173; pastureland, 176; demand for Czech-Yugoslav corridor, 177; rail-

- way system, 179; no sea outlet, 181; sugar factories, 191; difficulties of transit, 192; double economic nationalism, 196; a complete administrative service at collapse of Monarchy, 238.
- Czechs, struggle for political freedom under Austria, 233.
- Czernin, Count, 221, 226.
- Dalmatia, 14, 32, 69, 179, 180, 231, 239.
- Danaïllow, Professor Georges T., *Les Effets de la Guerre en Bulgarie*, 113, 124, 195, 210, 212, 218.
- Danube River: nerve of communication for Austria-Hungary, 14-15, 43; international régime 1815, 43; canalization, 44, 176; Austro-Hungarian policy, 44, 46; opened to Western trade, 52; *Donau-Dampfschiffahrtsgesellschaft*, 194; proposed bridge, Rumania to Bulgaria, 203; Russian obstruction, 1856, 204, 254.
- Danubian basin, rivalry of Slav and Germanic groups throughout history, 4, 5; continental highway, 4, 5, 6, 180; Germanic corridor, 7; frontier of Rome, 9; northern limit of Ottoman Empire, 9, 12.
- Deák, 231.
- Declaration of Corfu, 66.
- Delemcr, M., economic action of war government in France, 132.
- Demobilization in Austria, effect on economic conditions, 171.
- Democratic slogans of Entente, form of propaganda, 234-235.
- Denmark, war-time depot for overseas produce, 87.
- d'Esperay, General Franchet, 255.
- Destruction, actual economic and war, comparison of Allied and Central Powers, 156, 157.
- Dictatorial powers assumed by war governments and consequent responsibility to people on the success of policy, 78.
- Dictatorial tendencies spread by state of war, 65-69.
- Dictatorship, retreat of, 72-75.
- Djcmal Pasha, 71, 77.
- Dobrogea, 175, 220, 254.
- Donau-Dampfschiffahrtsgesellschaft*, 194.
- Dualism: creation of, 15, 42, 49; a check on autocratic centralism, 19; crisis of 1905, 34-35; tariffs, 43; offset by War Supervision Office, 127; styled an unbearable nuisance, 130; engulfed in military collapse, 216; under German group's suggestion of "reorganization after the War," 231; failure of Austria's foreign policy, 239.
- Eastern Empires, brittle nature, 9-10, 30, 40, 234.
- Eastern Question, 53: regional background, 3-26.
- Economic agreements, post-war, in Central and Southeastern Europe, 200, 201.
- Economic consequences of the war envisaged in War Service Law, 91.
- Economic co-operation: induced by the War, 206; new phase of war, 207; agreements on transit, 208; co-operation of economic war-organizations, 208; Allied Shipping Control, 209; co-operation in inverse relation to individual need, 209; individual needs more severe in Central European group, 209; conflicts over purchases in the other's country, 210; control of policy by granting supplies, 211; fear of post-war domination, 211; plans for post-war co-operation, 212; post-war intentions a reversal of war-time practice, 212; economic union between Austria-Hungary and Germany, 213; current *Ausgleich*, 215; *Mittel-europa*, 217; Berlin-Bagdad railway, 218; negotiations with Rumania for alliance, 220; co-operation shaken off at first sign of peace, 222; brotherhood-in-arms, but no brotherhood-in-money, 222.
- Economic destruction: statistics may be used as weapons of propaganda, 155; loss to victors as well as vanquished, 155; waste in regions where fighting took place, 156; exhaustion behind the front, 156; actual destruction varied in belligerent countries, 156; four stages of economic exhaustion, 157; undermining certain branches of production, 157; markets upset, exports cut off, 157; money market, 158; industrial recovery after first shock, 158; second phase, appearance of economic prosperity, rooted in increase of currency, 159; capital resources drawn upon, 159; blockade, 160; shortage of supplies, 160; spiritual exhaustion, 160; deprivation in army, 161; population in extreme want, 161; famine and cold, 162; breakdown of morale, 162; destruction through wastage, 162; due to military movements, 163; in occupied territory,



## 270 EFFECT OF WAR IN SOUTHEASTERN EUROPE

164; wilful, 164; by nationals in evacuated territory, 165; of railway material, 165; war exhaustion, 166; transport, 166; loss in working power and will power, 167; housing, 168.

Economic dislocation: cannot be foreseen or provided for, 169; due to war and to peace settlements, 169; dislocation through war needs, 169; extends to production, trade, and financial and other economic activities, 169; peacetime readaptation of economic system difficult in same degree as it was diverted, 170; readjustment easier in agriculture, 170; and in victorious countries, 170; hampered by military collapse, 170; collapse of will to work, 171; maldistribution of fixed capital, 171; excessive production equipment due to war orders, 171; reduced demand, 171; Peace Treaties, 172; change of frontiers, reparations, unstable money, 172; countries overburdened with new resources or severed from usual functions, 172; separation of currencies, 173; exchange of minorities, 174, 253; effect on agriculture of new frontiers, 175; irrigation and river systems, 175; capital towns and redistribution of territory, 177; effect on communications, 178, 179; railways, 180; access to river systems, 180; seaports, 180-182; dislocation due to peace settlements more severe than war, 182; return to peace aggravated by territorial changes and economic and financial servitudes imposed by peace settlement, 183; state control or interference in economic activities bound to continue for some time, 183; the greater the dislocation of external trade, the greater that of internal production, 183.

Economic exhaustion, effect on resistance of the people, 120-121, 160; effect on civic morals, 121; behind the front, 156; effect of inflation, 158-159.

Economic exploitation, 160, 165; by war governments in occupied territory, 140-152, 170.

Economic individualism, result of military individualism, 241.

Economic nationalism spurred by peace settlements, 191.

Economic Obstruction: a field commanded by political attitude, a disloca-

tion of policy, 184; war necessity, 184; war measures non-existent in plans for war, 184; certain imports prohibited, 185; exports prohibited, determined by military considerations, 185; belligerents still anxious not to disturb international arrangements unduly, 186; control of trade by Allies a means of warfare, 186; export of luxury goods, 186; currency exchange and trade balance, 187; measures to save exchange, 187; import of luxury goods prohibited, 187; official control of trade in foreign bills, 188; import, export and transit permissions, 189; as a post-war policy, 189; emergency measures continued as a matter of policy, 190; state interference intensified, 190; effect of Peace Treaties, 190; restrictions on commercial agreements, and on economic relations with other countries, 190; new territorial units to be resettled, 191; economic nationalism, 191; delay and brutal imposition of peace settlements, 192; transit difficulties, 192; post-war economic war, 193; protectionist current, 193; monopolistic control of home materials and markets, 193; exploitation of agrarian countries, 194; dependence on foreign supplies, 195; provincial nationalism, 197; separation from State aid and subsidies under change of borders and allegiance, 197; new mercantilism, 198; ambition to be self-sufficient, 199; trade policy fairly constant before the war, 199; short-term commercial agreements, 200, 202; economic particularism, 200; legal and administrative obstacles, 201; tariffs, 201; restriction of capital and labor, 202; lack of security, 202; controlled loans, 202; obstacles in way of desirable new communications links, 203; restrictions on movement of people, 204.

Economic organization, war-time, for war, achieved when fully in hands of military, central idea of War Service Law, 90.

Economic policy and supply, war-time, interdiction of discussion and criticism, 63.

Economic policy with regard to shortage and control of prices, 107.

Economic preparation for war, 81-82, 241.

Economic reconstruction, post-war, 97; Austrian war-time measures for, ham-

- pered by military collapse, 170; *see also* Central Commission for War and Transition Economics.
- Economic resistance, ultimately to decide the war, 130.
- Economic resources, war demands exceed production and distribution, 85; decisive factor in keeping army in the field, 131; mobilization, 184; national defense dependent on, 241.
- Economic speculation, a central control needed to check, 133.
- Economic warfare, not contemplated, 101; Allies against Central Powers, 186; proposed as post-war policy, 200, 212.
- Economic weapons changing character and effects of war, 131.
- Education, spread after French Revolution, 27; questions of, matters of national competition and jealousy, 36, 232; pressure by military to re-cast system in Austria-Hungary, 233.
- Eddy, Charles B., *Greece and the Greek Refugees*, 248, 253; chairman of Refugee Settlement Commission, 252.
- Emigration, military pressure for ban on, 233; *see also* Migration.
- Emin, Dr. Ahmed, *Turkey in the World War*, 64, 77, 126, 163, 210-212, 218.
- Euver Pasha, 71, 79.
- Eötvös, 231.
- Espionage, 62, 149.
- Ethnographic groups, a bar to standardization in industry, 39.
- Exchange, problem of, effect on public opinion, 86; effect on control of prices, 108; export prohibitions in aid of, 187.
- Executive, extension of power, 59; in France, resumption of powers allowed High Command, 73; special powers for control of supplies and production, 134; *see also* Dictatorial powers.
- Factories, transfer in 1887 to Rumania, 43; in occupied territory, 144-145; state aid in Hungary, 194.
- Fats, purchase from Holland, 84, 119; export prohibited, 87; price control, 93, 111, 112; Oils and Fats Centrals, 102, 119; shortage, 161.
- Feis, Dr. Herbert, *Europe, The World's Banker*, 194.
- Ferdinand, Emperor, Germany, 16.
- Ferdinand, King, Bulgaria, 75.
- Feudal bondage, emancipation of serfs by Hapsburgs, 34.
- Filipescu, M. Nicolae, suggestion of Rumanian participation in economic union, 221.
- Fiume, 15, 180, 181.
- Flour, Hungarian, boycotted by Bohemia 1890's, 40.
- Food control, Bulgarian Committee, 85; Turkey, 114; Austria, 107.
- Food distribution, Centrals, 94; enormous size of organization for, at end of war in Austria, 132.
- Food shortage, 94, 107, 112, 161.
- Food supplies, acquisition by belligerents in small states and occupied territories, 86, 140; *see also* Bulgaria; Rumania.
- Foreign bills, control of trade in, 188, 189.
- Forests, exploitation of Rumanian, 146; excessive use and non-replacement, 166; *see also* Timber.
- Fourth Estate, 33-38.
- France, 3, 4; lack of legislative preparation for war, 60, 61; constitutional government in time of war, 62, 66; Socialists stilled by fear of German invasion, 63; "state of siege," 63, 66; power restored to Parliament and Executive, 73; Executive under Clemenceau, 76; war government, 132; war destruction after the Marne, 156.
- Franchise, two types under Austro-Hungarian Constitution, 34, 35; pressure of Danubian minorities, 232; proposal to deny equality to minorities, 234.
- Francis Ferdinand, Archduke, 221.
- Francis Joseph, Emperor of Austria-Hungary, 51, 71.
- Free-trade doctrine after the Napoleonic Wars, 25.
- Freedom of association, 232.
- Freedom of the press, 232.
- Freedom of speech, in time of war, 63, 234.
- Freedom of trade, 26; in occupied territories, 148.
- French Revolution, political ideas set in motion as a force, 24, 27; émigrés in eastern capitals, 52; nationalism, outgrowth of, 232; new popular power after the, 240.
- Frontiers, change of, by Peace Treaties, effect on economic relations and structures, 172.
- Funck-Brentano, Professor, 47.

## 272 EFFECT OF WAR IN SOUTHEASTERN EUROPE

- Galicia, 14, 15, 32; agrarian conditions, aim at economic emancipation, 31; military control, 69, 70, 231; separatist feeling under war government, 126-127; supplies destroyed to escape Russian hands, 163.
- Gautsch, 84, 48.
- General Commissariat for War and Transition Economics, *see* Central Commission for War and Transition Economics.
- German Customs Union 1834, 25-26.
- German Foreign Office, memorandum on a customs union, 1915, 214.
- Germanic League, 15, 49.
- Germanie tribes, repulse of Rome, 5.
- Germany, 4, 15, 40, 239; new empire, 20; rise of industry under Customs Union, 25; provisions for war government, 60; restrictions on export and transit of raw materials, 92; systematic planning of production and distribution, 92, 96, 133, 207, 208; economic general staff for exploitation of occupied territories, 141-152; actual war destruction, 156; post-war union with Austria prohibited, 206; hope of exploitation of Turkish resources, 211, 218; colonization in Asia Minor projected, 211; co-operative post-war economic agreement planned, 217.
- Gibbon, 10.
- Gorizia, 14.
- Gratz, Dr. Gustav, and Dr. Richard Schüller, *Der Wirtschaftliche Zusammenbruch Österreich-Ungarns*, 128, 157, 159, 161, 162; *Die äussere Wirtschaftspolitik Österreich-Ungarns: Mitteleuropäische Pläne*, 213, 214, 220, 222; English version, 213, 217.
- Great Britain, 3, 4; trade competition with Austria, 39, 182; command of Central Powers' outside sources of supply, 207.
- Greece, old civilization limited by lower valley of the Danube, 9; exchange of minorities, 174, 248, 249, convention signed with Bulgaria, 250; effect of peace settlement on national unity, 191; railways, 203; Western Thrace, 255.
- Grillparzer, 50, 233.
- Grunzel, Joseph, 40.
- Halász, Albert, *The New Central Europe—in Economical Maps*, 172.
- Hamp, Pierre, 178.
- Hegel, 240, 241.
- Helferich, Herr, 219.
- Hoarding, 107, 111, 128.
- Holland, wartime depot for overseas produce, 87.
- Holy Alliance, 3.
- Holy Roman Empire, 17.
- Hostages, 140.
- Housing, affected by war, 168.
- Howland, Charles P., 252.
- Human losses in the war, 168.
- Hungary, 12, 15; pragmatic sanction, 16; estates, 17, 23, 33; customs lines, 23-25, 29; nobles exempt from taxes, 25, 29; Sugar Convention, 30; "Tulip" movement, 30, 40; separate commercial treaty with Switzerland, 30; pressure for separation, 32, 33, 130; suffrage, 35; official language, 36, 44; work of Magyars for separation, 41, 233; political or economic bargaining, 50; attitude toward minorities, 126, 227; restrictions on movement of supplies, 128, 129; separate economic policy, 129; forests and timber, 129-130; invasion by Rumanians and wastage, 165; flour industry and new frontiers, 173; bad relations with neighboring countries, 174; loss of markets by new frontiers, 175; loss of control of river system and most of water power, 176; railways, 178-179, 203, nationalization, 194; exports to Austria, 180; economic war with Succession States, 193; industrial and commercial legislation in 1870's, 194; state encouragement of industry, 194, 197; free inhabitants in old Hungary, 226; Magyar attitude, political and economical, toward Austria during the war, 230.
- Hungarian Navigation Co., 194.
- Hungarian Peasant Party, 192.
- Imperial decrees: *July 31, 1914*, empowering army commanders in Galicia, Bucovina, Silesia and Moravia, 67; 181 Imperial decrees to *May 1917*, 76; *October 1914*, on the furtherance of production, 91; *August 1, 1914*, price control, 107.
- Import prohibition, 187, 188.
- Individual rights, restriction by war government, 61-65.
- Industrial competition among nationalist groups, 31.
- Industrial District Commission, 171.
- Industrial Revolution, 27, 44.



- Industrial Unions, *see* War Unions.
- Industrial workers, anti-war sentiment, 62.
- Industry, inadequate mineral resources and communications, 39; hampered by multi-national character, 39; natural advantages, 42; linked with Centrals and War Supervision Office, 93, 97; pre-war monopolistic control of home materials and markets, 193; Hungarian pre-war legislation, 194.
- Inflation, Austrian, in 1811, 24; war-time, 159; Napoleonic Wars, 182.
- International credit and finance at end of war, 171.
- International government, experiment in, 254-263.
- Iron Board, 104.
- Iron Gates, 8, 44; *see also* Danube River.
- Iron, Hungarian industry, 128; shortage, 160.
- Irrigation, dislocation due to new frontiers after peace settlements, 175.
- Ismail Hakki Pasha, 72.
- Ismet Pasha, 250.
- Istria, 14.
- Italy, 4, 46, 175, 181, 239; Austrian imports *via* Italy, 186, 207, 208; defection from Triple Alliance, 213.
- Jászi, Dr. Oskar, *Dissolution of the Habsburg Monarchy*, 33.
- Joseph II, absolutism, 16; revokes reforms, 17; economic unity under, 24, 33; reforms, 27; social vision, 51.
- Jute and flax syndicate, 84.
- Károlyi, Count, on the *Ausgleich*, 216.
- Kemal Pasha, 72; report on war conditions in Turkey, 79.
- Kemalist movement, 249.
- Kerehnewe, General Hugo, *Die Militärverwaltung in den von den österreichisch-ungarischen Truppen besetzten Gebieten*, 138, 140, 141, 146, 147, 150.
- Kiel Canal, 44.
- Kleinwächter, on the Revolution of 1918 in Austria Hungary, 51.
- Kossuth, national industrial society, 29.
- Krauss, General, 133, 134, 163.
- Kremsier Assembly 1848, 18, 228.
- "Kuluk" law, Serbia, 147.
- Labor, division of, an aid to a unified community, 34, 38, 235; exploitation in occupied territory, 146; compulsory, 147; shortage, 160, 166, 167; displacement due to new frontiers, 176.
- Language, problem of, 27-28; demand for equality, 36; an obstruction in governmental administration, 36, 229; a bar to business relations, 39; on the Danube, 44; church services, 227.
- Lausanne Convention, on exchange of minorities, 251, 253.
- League of Nations: report on disturbance of relative values, 199; regarding Conventions published from 1920-1926, 201-202; security for loans procured, 203; statistical material on exchange in minorities, 248; assistance to Greece in exchange of minorities, 252.
- Leather, control, 101, 114, 144; shortage, 122, 129, 160.
- Levant company of Greek traders, 13.
- Linzer program, 32.
- List, Friedrich, 29, 205, 213.
- Livestock, 146, 166.
- Loans, controlled, under international guaranty, 202; *see also* League of Nations.
- London Conventions 1882-1883, 44.
- Luxury goods, import restricted and export stimulated, to aid exchange, 186.
- Macedonia, 12, 198, 253.
- Machinery, no import into Austria permitted before 1811, 24; confiscation in occupied territory, 145; war-time deterioration, 167.
- Mackensen, General, on wastage in occupied territory, 164.
- Manchester Guardian*, "Reconstruction Supplement," Fiume, 181.
- Mann, Dr. T. H., on enemy occupation of Rumania, 141, 146.
- "March Constitution," 18.
- Marghiloman, M. Alexander, 220, 221.
- Maria Theresa, reforms, 16; strengthened mercantilist policy, 23.
- Masaryk, President, 229.
- Mazzini, on the triumph of the nationalist idea, 53.
- Mehmed V, 71.
- Mereantilism, the new, 198.
- Mereantilist methods, relapse of trade since the war, 201.
- Mereantilist organization, a law of war experience, 241.
- Mereantilist policy, Austria, 23, 24; Secession States, 191.

## 274 EFFECT OF WAR IN SOUTHEASTERN EUROPE

- Mercantilist reaction to economic dislocation, 183.  
 Metternich, negative international policy, 7, 53.  
 Middle class, rise of a, 28, 232; desire for tribal profits rather than imperial progress, 32.  
 Migration of ideas, effect of French Revolution, 27.  
 Migration of people, Middle Ages, 27; restrictions, 204; from territories transferred to new allegiance, 250; *see also* Minorities, exchange of.  
 Military "confines" along endangered frontiers, 234.  
 Military courts, substitute for civil procedure, Turkey, 64; Austria, 65; right of civilians to re-trial by ordinary courts, 74.  
 Military element, *in government*; *Kremsier Assembly 1848*, 18; easy transition to war government, 21; transfer of government to, in conduct of war, 61; *Orientation Memorandum*, 67-68; militarist supervision unknown to Austrian constitution, 68; doubts ability of civilian authority, 69; methodical campaign against civil government in Austria, 70; intrusion of irregular influencees, 71; progression to military rule in Turkey, 72; restriction of free powers of High Command in France after the battle of Verdun, 73; relaxation of dictatorship and lessening of military influence in Austria, 74; regain upper hand in 1917, 74; military censorship abolished *June 1918*, 74; pressure for recasting educational system, 233; critical attitude toward civilian authorities, 233; likeness to old police state, 334.  
 Military element, *interference with economic control*: Austria, 67; Turkey, 72; excessive use of powers in army supply, 83, 88, 133; inroads upon existing stocks, 84; wastage and shortage of cotton, 84, 104, 115; deliberate action with regard to fats in 1915, 84; Bulgarian agreement with Germany for export from Macedonia, 85; power of requisition, compulsion of labor and industrial control, 89-90; no heed taken to replenishing supplies, or of needs of people, 90; regulations regarding requisition and use of raw materials, 92, 103; iron, 104; prices, 106-108, 123; purchase of army supplies, Bulgaria, 114; omnivorous demands, 102, 122; German contraband offices in Bulgaria, 124; *see also Orientation Memorandum*; War Service Act; Civilian authorities; Centrals.  
 Military leaders, every opposition regarded as treason, 63, 234.  
 Military organization, a growing demand on government, 58.  
 Military service, 58; provisions for compulsion, 60; exemption for skilled workers, 158.  
 Military "State Socialism," 144-147; social and economic effects, 147-152.  
 Ministerial Commission, *see* War Supervision Office.  
 Minorities, misunderstandings due to language problem, 36; precautions taken by military government, 126; passive resistance under dictatorial governments, 136; treatment by Austria and their position after the Peace Settlement, 174; exchange of, instituted by Peace Treaties, 174, 248; turned to permanent antagonism by conduct of Magyar leaders during the War, 230; formed the mass of rural and working class population, 232; pressure of military that emigration be forbidden, 233; the franchise, 234; effect of propaganda, 235; belief that they were made to slave for ruling classes, 236; hope that War would lead to reform of Empire, 237; Bulgarian-Greek convention for exchange of minorities, 250.  
 Mobilization, rapid and unhampered, demand on government, 62; hasty and excessive, cause of economic wastage, 83; a first reason for economic exhaustion, 157; effect on railway traffic, 158.  
 Mohács, victory at, 3.  
 Money, shortage in Austro-Turkish war, effect on Austrian policy, 24; depreciation, effect on good money and supplies, 108; market at outbreak of war, 158; loss in internal value, 159; *see also* Currency; Exchange.  
 Monopolies, state, loans to, 203.  
 Monopolistic concessions in occupied territories, 147-149.  
 Montenegro, 244.  
 Morale, loss of, by war exhaustion, 167.  
 Moratorium at outbreak of War, 158.  
 Morava valley, 6.  
 Moravia, 179; military command, 65, 69, 70, 239.  
 Morgenthau, Hon. Henry A., 252.

- Mortality rate, 161.
- Movement of people, *see* Migrations; Minorities.
- Munitions, 101, 165; suggestion of autonomous organ for industry, 103; effect of shortage, 161, 162.
- Nansen, Dr., exchange of minorities, 250.
- Napoleonic war, propaganda, slogans of French Revolution, 27, 235; consolidation of the Austrian idea, 17; economic dislocation, 170; inflation, cause of industrial boom in Austria, 182.
- National allegiance, effect of war government, 126.
- Nationalism: and popular government, effect on Eastern Question, 3; precipitated formation of unitary national states, 17; from nationality to nationalism, 27; fourth estate won to, 34; economics of, 38; effect on external relations of Empire, 41; rise of, and Austrian-Turkish affinity, 48, 53; economic nationalism, 196-197; nationality and nationalism, 226; minorities, Allies' propaganda, 235; war as an instrument to bring out policy bred by, 237; experiment in nationalism, exchange of minorities, 248.
- Nationality: effect of emergent current on Western, and Eastern and South-eastern, Europe, 4, line of division, 232; factor of, 17; nature of, 27; rise of a middle class, 28; national movement, 32, 37; disintegrating forces, 33; social problems and effect on, 34, 35; factor in distribution of civil offices, 36; rural masses and sentiment of, 38; national antagonism and economic warfare, 40, 45; Austro-Hungarian policy, 46, 48; the new Turkey, 192; effect of restriction of migration, 204-205, 233; nationality and nationalism, 226; outgrowth of French Revolution, 232; methods of war government, 234; effect on multi-national state at war, 237.
- Naumann, Friedrich, *Mitteleuropa*, 177, 213-214, 217, 222, 239.
- "Nepmen," 123.
- Netherlands lost by Austria, 1792, 33.
- Noncombatants in modern warfare, 152, 162.
- Nordbahn, language problem in the nationalization of the, 36.
- Novibazar, abandonment of the Sanjak of, 233.
- Obrenovitch dynasty in Serbia, 46.
- Oil: Rumanian, shipments in 1890's, 44; confusion in control of state-owned refineries, affecting control of petrol, 113-114; Oil Central, 114; exploitation of Rumanian oil fields, 141, 146; occupied territories, 145; German intended control of Rumanian oil fields by treaty of peace, 220.
- Oils and fats, *see* Fats.
- Olivier, Emile, on union of Rumanian Principalities, 46.
- Orientation Memorandum 1912, 67-68.
- Ottoman Empire, *see* Turkey.
- Pallis, M. A., contributor to *Les effets économiques et sociaux de la guerre en Grèce*, 248.
- Palmerston, on the expulsion of Turks from Europe and resultant problems, 53.
- Paper, quarrel with War Ministry on formation of syndicate, 83; control, 86, 101; factory regulation, 122; shortage, 161; exports to Turkey, 211.
- Paris Conference 1855, 53.
- Parliaments in eclipse, 65-69.
- Passarovitz, peace treaty, 1718, 22.
- Peace overtures by Austria-Hungary, 160.
- Peace settlement, re-arrangement of frontiers and seaports, 181; dislocation more severe than that of war, 182; delayed and brutally imposed, 192; a misnomer, because of war passions still at work, 240; *see also* Treaties of Peace.
- "Pernik" coal-mine, Bulgaria, planned exploitation by German interests, 219.
- Petrol control, *see* Oil.
- Phillips, Professor W. Alison, 213, 217.
- Pirostchanaz, M. M., 228.
- Poland, coal fields, 173; planned economic co-operation with Central Powers, 213; Austrian plans for a new, 239.
- Popovici, M. Aurel, *The United States of Greater Austria*, 228.
- Popular government, the idea of, in Southeastern Europe, 3; undermining issues of dynastic power, 53; propaganda during the War, 235.
- Pragmatic sanction, 16, 17, 33.
- Prague Iron Industry Co., 104.
- Press, an agent in the spread of ideas after the French Revolution, 27; con-



- trol, 68; lifting of control, 74; paper control to aid work of, 86.
- Prices, first rise of, and war measures, 86; due to competitive buying of belligerents, 87; methods of control, 106; military policy and high prices, 108, 123; vagaries and virtues of price control, 110; "guiding prices," in profiteering law, 109; conditions of successful control, 113; maximum prices abolished in Turkey, 123.
- Prisoners of war, labor shortage, 160.
- Production, Imperial decree for the furtherance of, 91; rationalization and concentration of, 115; influence of the war on large-scale, 128; organization and exploitation in occupied territory, 144, 148; sabotage by manufacturers at end of war, 171.
- Profiteering, government measures, 107; law, *March 1917*, 109; "guiding prices," 109.
- Profits, limitation of, 93, 117.
- Proletariat, alliance between, and Crown, proposed by Austrian Socialist leaders, 35.
- Propaganda, Napoleonic Wars, 27, 235; prepared for by failure of internal policy, 234-235.
- Protectionism in Austria-Hungary, 193.
- Prussia, supremacy in the Germanic League, 15, 26, 49; reprisals due to Austrian customs policy, 23; attitude to Austria in League, 49; minorities' resentment during the war, 236; a post-war Prussia-Germany, 217.
- Public works, cessation at outbreak of war, 158.
- Quotas, system of, in trade control, 202.
- Radical parties, formation of, encouraged by governments at end of the War, 75.
- Radical sentiments and slogans, as result of war exhaustion, 160.
- Rahmi Bey, 77.
- Railways, Austro-Hungarian system, 26, 36; under central control of military, 102; wastage of material and rolling stock, 165; dislocation of lines due to new frontiers, 176-178; nationalization, Hungary, 194; Bulgarian-Greek connection not yet restored, 203.
- Rastadt, peace treaty 1713, 22.
- Rathenau, Walter, necessity for a state-planned war economy, 92, 96, 133, 207.
- Ratzel, 14.
- Raubwirtschaft*, 166.
- Raw materials, effect of military requisition, 91; control, 91, 101; census and restrictions on sale, 91; agreement by Germany with Austria-Hungary, 92; effect of military regulations, 103; transport certificates, 125; secret report on occupied territory, 144; blockade, 160; dependence of small states on imports, 195-196; Austrian lack due to German restrictions, 208.
- Redlich, Professor Joseph, *Österreichische Regierung und Verwaltung im Weltkrieg*, 69, 81, 95.
- Regnault, M., 48.
- Renner, Karl, 33, 50; *Kampf der Nationen um den Staat*, 35.
- Renouvin, M. Pierre, *The Forms of War Government in France*, 73.
- Requisition, compensation for, 90, 106; due to shortage of supplies for war industries, 91; prices fixed, 102; "reinfected," in occupied territory, 144; failure in Rumania, resulting in monopolistic concessions, 147; German demand for complete, 152.
- Reserve fund, governmental, created from surplus profits, 93, 117.
- Revolutionary instigation as an instrument of war, 235.
- Rheinisch Westfälische Zeitung*, advocating a strong post-war "Prussia-Germany," 217.
- Riedl, Dr. Richard, Commissary for War and Transition Economies, 97, 119, 120; *Die Industrie Österreichs während des Krieges*, 97, 111, 124, 131, 133, 208.
- Rome: check in Central Europe, 5; roads in Balkan Peninsula, 7; Vienna an outpost, 177.
- Rumania: Roman rule, 5; provinces under Turkish rule, 12, 226; Turkish corn monopoly, 13; language problem, 36, 44, 227; settlement in Transylvania, 40; commercial treaty with Austria-Hungary, 42; cattle industry and Austrian market, 43; law for protection of home industries, 43; Austrian opposition to union of Principalities, 46; entry into war, 74; Labor Party, contact with Russian Revolution, 75; purchase of foodstuffs by belligerents, 86, 124; official control of supplies, 87; occupation, 131, 138-141; conquest for economic exploitation, 141; military administration,

- 142; first secret report, 142, 144; rationing of consumption, 143; administration apparatus, 143; a military "state socialism," 144; machinery and the transformation of industrial establishments, 145; agriculture and oil, 145, 146; labor, 146; social and economic effects of economic exploitation, 147; monopolistic concessions, 147; informers and dishonest gain, 149; Bucarest peace negotiations, 149, 213, 220; number of control ordinances, 150; comparison of Austrian and German occupation, 151; wastage, by troops, 164, by nationals, 165; policy with regard to Bessarabia, 175; the Banat, 176; new frontiers, 176; Danube ports and railways, 179; memorandum to Peace Conference regarding railways and new frontiers, 179-180; new economic unit, 183, 191, 195; double economic nationalism, 197; Transylvania and Bessarabia, lost economic advantages, 198; post-war commercial agreement with Austria, 200; stabilization fund, 203; communications, 203; Russian corn, 204; German terms, if victorious, 220, 239; economic alliance with Central Powers, 213, 220, 221; Rumanian pre-war demands regarding the alliance, 230; Bessarabia and Dobrogea, 1856 and 1878, 254.
- Rumanian Economic Union, 143.
- Rumbold, Sir Horace, 250.
- Russia, 3, 6, 217; rise of, 8; search for sea outlet, 8; protection of Christian neighbors, 10; Revolution, 1905, 35, 1917, 20, 73-74, 75, 131; "October Manifesto" 1905, 34; control of mouths of Danube, 43, 204; ambition for Ottoman succession, 52; Allied attempt to open way to, 131; peace negotiations, 213; Central Powers' use of Bolshevik virus, 235.
- Sadowa, 49.
- Salonica, 6, 180, 181, 203.
- Salt, speculation in, 124.
- San Remo agreement, 255.
- Sarajevo murder, 239.
- Schüller, Dr. Richard, *see* Gratz, Dr. Gustav and Dr. Richard Schüller.
- Schwartzenberg, Prince, 38.
- Seaports and outlets, 180, 181.
- Security, international: military and economic individualism, 241.
- Self-determination, program of German-Austrian parties 1918, 238.
- Sembat, M. Marcel, 63.
- Serbia: under Turkish rule, 11; Western contact, 12; commercial treaty with Austria, 42; ruin of pig-breeding industry, 43; language problem, 44; Austrian policy, 46, 47; Government exiled at Corfu, 64, 66; cessation of political life at beginning of war, 66; loans from Allied governments, 66; occupied by Central Powers, 131, 138, 146, 150; "Kuluk" law, 147; need for sea outlet, 180, 181; encouragement of industry, 195; elimination of, in case of a Balkan League, 239; exodus, 240, 243-247.
- Seven Years' War, 23.
- Shotwell, Dr. James T., General Editor, *Economic and Social History of the World War*, 152.
- Sieger, M., 15.
- Sieghart, Herr Rudolf, *Die letzten Jahrzehnte einer Grossmacht*, 18, 227, 229.
- Silesia, 14, 23, 65, 69, 70.
- Slavonia, 23, 129.
- Slovakia, 173, 179.
- Smart, *Economic Annals of the Nineteenth Century*, 170.
- Smyrna, sacking of, 249, 251.
- Social cohesion, effect of war on, 237.
- "Social contract," incompatible with communal emergency, 134, 135.
- Socialists, Austrian, 37; "K. u. K. Socialists," 37, 50; attitude at mobilization, 62, 63; Serbia, 66; Russian Revolution, 73-74; Turkish party, 75; socialist groups encouraged by governments at end of war, 75.
- Somary, economist, 199.
- Sombart, Professor Werner, 128.
- Stephen, Saint, of Hungary, "Admonitions," 227.
- Stuerghk, Count, 67, 69, 80, 128, 215.
- Stuerghk Government, 70.
- Submarine warfare, 141.
- Succession States, 70; administrative efficiency, 130; organization, 180; post-war restrictions, 192; Hungarian economic war, 193; policy on economic co-operation, 206, 221; minorities problem, 225.
- Sugar factories, Austrian, inside Czech frontier, 191.
- Suffrage, *see* Franchise.
- Swedish Match Trust, 203.
- Switzerland, transit trade in war, 208.
- Szabó, Stephen, 192.

## 278 EFFECT OF WAR IN SOUTHEASTERN EUROPE

- Taafe Cabinet, 229.  
 Talaat Pasha, 71.  
 Tariffs, post-war, fighting tariffs, 201.  
 Teleki, Count, 192, 201.  
 Textile industry, control, 123, 144; second phase of economic exhaustion, 159.  
 Third Estate, 28-33.  
 Thrace, 175, 179, 253; Inter-Allied régime, 254, 263.  
 Timber supply, control of, 129; *see also* Forests.  
 Tisza Count, Rumanian negotiations, 36, 230; food supply, 128; *Ausgleich*, 215, 216; minorities law, 227.  
 Tobacco industry, 175.  
 Totalitarian state, 237.  
 Trade: in Turkish and Austrian Empires, 13; after tariff of 1775, 23; internal 1890-1914, 38; control by economic war government, 82, 100; barter, 87, 124; dislocation through war needs, 169; restriction as a form of warfare, 186; pre-war policy, 199-200; *see also* Mercantilism; Monopolistic concessions.  
 Transit trade, 207, 208, 210.  
 Transport, control of goods, 102; shortage, 162; war exhaustion, 167.  
 Transylvania, 5, 13, 23, 40, 198, 227.  
 Treaties, commercial: Swiss-Hungarian, 1907, 30; Austria with Serbia and Rumania, 42; Serbian-Bulgarian 1905, 47.  
 Treaties, Peace: disturbing effects, 169; economic dislocation, 172; attempt to mend the rift, 173; exchange of minorities, 174; sea outlets, 181-182; policy to mitigate hardships of new frontiers, 182; economic obstruction, 190; no measures for economic co-operation, 206; disappointment, the result of false expectation, 240; migration of populations, 250; *see also* Peace settlements.  
 Treaty of London, 1913, 254.  
 Treaty of Neuilly, 181, 190, 250, 254.  
 Treaty of St. Germain, 173, 190, 206, 250.  
 Treaty of Sèvres, 192, 255.  
 Treaty of Trianon, 230.  
 Treaty of Versailles, 53.  
 Treumund, E., "Tisza and the Rumanians," 230.  
 Trial by jury, suspension in belligerent countries, 64, 68; sanction of abolishment withdrawn, and re-trial of civilians before ordinary courts allowed, 74.  
 Trieste, 180, 181, 182.  
 "Tulip" movement 1906, 30, 40.  
 Turkey: Ottoman Empire in Europe, 3; affinity with Hapsburg Empire, 3, 4, 9, 11, 21, 22, 48, 51; formation, 4; in the Balkan Peninsula, 8; Turkish mercenaries in Byzance, 10; welcomed by Balkan peoples, 10, 52; character of Ottoman Empire, 10; downfall of Byzantine Empire, 11; Christian groups, 12, 226; lack of central policy, 12; corn monopoly, 13; Austria, the inheritor of Turkish dominions in the Balkans, 20; policy in preventing rise of middle class, 31; Revolution 1908, 35; Serbia and Rumania, 42; European provinces sources of supply, 51; Young Turks, 52, 249; withdrawal and resultant clash between Slav and Germanic groups, 52; military courts, 64; war government, 66, 77; "Party of Union and Progress," 71-72; report on disintegration, 79; not economically prepared for long war, 83; food control organs abolished to promote flow of supplies, 113, 114, 122; state control and public morals, 125; exchange of minorities, 174, 248; a new independence and unity, 192; Turkish Press during the War, 211; aggressive nationalism developed by the War, 211; retreat from Europe, 249; new nationalism, 249; *see also* Anatolia; Kemal Pasha.  
 Turnu-Severin, 142, 144.  
 Tyrol, the, 14, 23, 69.  
 Ukraine, the, 131, 213.  
 Union of Slovak Manufacturers, 197.  
 United States, cotton, 119; immigration, 204.  
 Vasvar, peace of, 1664, 8.  
 Vázsonyi, Dr., electoral reform, 234.  
 Venizelos, M., 250.  
 Verdun, battle of, French Parliament resumes control of Executive, 73.  
 Via Egnatia, 7.  
 Vienna, 45; pragmatic sanction, 16; finance supremacy, 31; cultural and material progress, 42; economic policy, 45, 46; commercial location affected by peace settlements, 177; recovery of trade after collapse of currency, 178.  
 "Viennese parties" in neighboring capitals, 21.  
 Voelkerkaisertum, 17.  
 Voivodina, 197, 198, 227.  
 War as an instrument of national policy,



237; effect on one-nation and a multi-nation state, 237.

War absolutism compared with old political autocracies, 135.

War government: *characteristic traits*: geographical variation, 57; general background, 58; extension of executive powers and functions of government, 59; restriction of individual rights, 61; Parliaments, 65; Orientation Memorandum, 67-68; War Supervision Office, 67; friction between civilian and military, 69; opens door to irregular influences, 71; varies in relation to forms of government of particular country, 71; individual domination, 72; withdrawal of dictatorial powers, 72; re-establishment of judicial guarantees, 74; post-war disregard for law and order, 75; civic spirit in disaster of war, 75; surrender of civil authority only temporary, 76; difficulty of personnel following vast number of instructions, 77; faults of omission and commission result in corresponding loss of authority, 78; out of touch with social and political opinion, 79; disintegration of bonds with people, 79;

War government, *rise of functional*: springs of, 80; political, police and economic measures, 81; economic task, 82; army needs, 83; economic displacement, 84; fresh sources of supply, 85; production and distribution, 86; interdependence of more developed states, 86; system of barter, 87; structure of functional war government, 87; economic control, 88; military method, 89; requisition and compulsion, 90; functional method, 91; raw materials, production and substitutes, 91-92; development of autonomous administration of industry, 93; Professor Redlich's bird's-eye view of the structure, 95; link with the aftermath, 96; plans for reconstruction, 97; private industrial interests, 97; representatives of commerce, 98; snowball growth of war government, 99; peculiar restrictions on trade, 100; necessity for unified official policy, 101; extension of organs, 102; control of foreign currencies and bills of exchange, 102; divided authority: civilian and military, 103; military attitude and new economic controls, 103; resignation of army officials

feared by politicians, 105; gradual reduction of military interferences, 105; problem of stamina of the nation, 105; increased power of state in unifying organs of production and distribution, 105;

War government, *working of functional*: methods of price control, 106; contracts, 106; decrees, regulations, etc., codified, 107; exhaustion of supplies, 107; military acquiescence in high prices, 108; depreciation of money, 108; price control extended to controlled industries, 108; "guiding" prices, 109; vagaries and virtues of price control, 110; maximum prices, 110; effect of partial control, 112; effective control applied to whole field all the time, 113; shifting policy due to criticism 113; economic controls regarded as temporary, 114; concentration of raw materials and their manufacture, 115; lack of authority of special war organs, 116;

War government, *functional, balance sheet*: new wars of attrition, 118; reaction of public opinion against heavy powers of system, criticism and complaint, 118; positive usefulness, 119; Central Empires' resources complemented, 119; omnivorous demands of modern warfare, 120; effect on civic morals, 121; economic control born of shortage, 121; stringency of economic police measures and lessening hold of of the law, 121; regulations, and privacy in the conduct of business, 122; breaking of rules, act of individual self-defense, 122; malpractices tolerated and encouraged by official organs in interest of state, 123; contraband trade, 123; contraband organs of officials, 124; beyond power of authorities to apply regulations, 124; psychological effect, 125; disintegrating effect on loyalty to state, 126; local resentment and selfishness as needs increase, 126; attitude of organized political groups, 127; growth of national selfishness, 128; change in nature and effects of war by use of economic weapons, 131; economic organization and control a malignant growth, 132; political opportunism, 133; question as to justification of such control of economic life, 133; effect on powers of executive, 134; the

communal emergency and "social contract," 134; extreme forms of control in backward countries, 134; need for despotic political structure in relation to political institutions of country, 135; apparent resemblance of absolutism of modern war government and old political autocracies, 135; questioning of absolute powers, and restoration of some political discussion and control, 135; rise of a new functional dictatorship under ultimate popular control, 136; new dictatorship more formidable, in command of economic pressure, 136; resulting positive duties placed on subjects, subject's consent, 136;

War government, *in occupied territories*; comparison of government in belligerent countries and occupied territories, 138; a substitute for withdrawn national government in occupied territory, 138; peaceful method out of place, 138; harshness increased because of orders from home government, 139; political and judicial government without direct supervision, 140; no account taken of social well-being of people or the advancing of authority of the state, 140; conquest for economic exploitation, 141; administrative apparatus for requisition and export of supplies, 143; means do not differ in principle from that of belligerent states in their own countries, 143; a military "state socialism," 144; organization of production, control of sources and means of production, 144; agriculture and oil, 145; labor, 146; social and economic effects of the system: shortage induced a conscious relaxation of system, 147; concessions, 148; abuse by private intermediaries, 148; attempt to extend concessions beyond signing of treaty, 149; corruption, evasion and economic police, 149; politics in the administration, 150; harsher when political antagonism is added to economic

needs, 151; secondary reasons for severity, 151; approximation of methods used by belligerents in occupied territories and their own countries, 152.

War loans, canvassed by Austrian officials, 78.

War machine elaborated at the same time as war government, 60.

War, modern, machine for destruction of materials and goods, as well as men, 162.

War Service Act, 60, 89, 90, 91, 100, 104.

War Supervision Office (Ministerial Commission), 67, 68, 74, 127.

War Unions (Industrial Unions), 93, 98, 119.

Wekerle, 216.

Wesselényi, Baron, 231.

Wheat control, 112; *see also* Corn.

Windischgrätz Cabinet, 229.

Women replacements in industry, 158.

Wool, all available stocks seized, 85; Wool Central, 101, 115; transport certificates, 102; attempted military control, 104; index figure for profits, 117; distributed according to *Ausgleich* quota, 129; shortage, 160.

Working classes: new aspirations, 34; right of association, 34; impeachment of leaders, 34; represented on Commission for War and Transition Economics, 98; collapse of will to work, 171; restricted exchange of workers, 204.

Yovanovitch, Prof. Dragolioub, *Les Effets économiques et sociaux de la guerre en Serbie*, 140, 149, 150, 151, 240, 243-247.

Yugoslavia, the Banat, 176; railways, 179; no seaport, 181; new economic unity, 183; internal economic differences, 191, 196; Voivodina, 197; emigrants, 198; communications, 203.

Zollverein, 182, 217.

Zagreb Chamber of Commerce, 198.

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